

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



Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

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

FROM: Jeffrey S. DeWitt
Chief Financial Officer

DATE: September 24, 2018

SUBJECT: Fiscal Impact Statement – Rebate Reform Amendment Act of 2018

REFERENCE: Bill 22-529, Draft Committee Print as shared with the Office of Revenue Analysis on September 21, 2018

Conclusion

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill.

Background

Insurers, agents, and brokers of life, health, annuity, property, casualty, and surety insurance products are generally prohibited from offering rebates or valuable consideration to an insured or potentially insured party as an inducement for purchasing or maintaining a certain product. Rebates or consideration includes rebates of policy premiums, special favors related to dividends, or any other consideration not included in an insurance policy contract. District law does provide a de minimis exception for the offering of education materials, promotional materials, or articles of merchandise that cost less than \$10.

The bill increases the de minimis exception amount an insurer, agent, or broker may offer to an insured or potentially insured party from \$10 to \$75.

Financial Plan Impact

Funds are sufficient in the fiscal year 2019 through fiscal year 2022 budget and financial plan to implement the bill. The Department of Insurance, Securities, and Banking believes the higher exception limit is still sufficiently de minimis to prevent any fraud or abuse in the insurance markets and protect consumers. There are no costs associated with this change.