

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



**Jeff DeWitt**  
Chief Financial Officer

**MEMORANDUM**

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

**FROM:** Jeff DeWitt  
Chief Financial Officer

**DATE:** March 24, 2014

**SUBJECT:** Fiscal Impact Statement – “Life and Health Insurance Guaranty Association Consumer Protection Amendment Act of 2014”

**REFERENCE:** Bill 20-212, Committee Print as provided to the Office of Revenue Analysis on March 12, 2014

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**Conclusion**

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill.

**Background**

The District of Columbia Life and Health Insurance Guarantee Association (“Association”) guarantees most life and health insurance policies held by District residents (up to certain limits) against insolvency.<sup>1</sup> The bill increases coverage limits, adds new covered categories, clarifies the Association’s administrative authorities, and makes changes to the Association’s Board of Directors (“Board”) policies and procedures.

The bill increases coverage limits for major medical insurance policies from \$300,000 to \$500,000, and sets a limit of \$100,000 for coverage not defined as disability, hospital, medical, or long term care insurance. The bill adds disability and long-term care insurance coverage categories, which are not explicitly covered by current law, with a limit of \$300,000 per policy.

The bill requires the Board to develop policies and procedures for addressing conflicts of interest, including removal of a member of the Association for cause. Additionally, the bill increases the time in which court proceedings against an insolvent insurer are stayed from 60 to 180 days, and

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<sup>1</sup> D.C. Official Code § 31- 5401 *et seq.*

The Honorable Phil Mendelson

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clarifies the Association's administrative authority to address conflicts of interest, collecting assessment and subrogation<sup>2</sup> rights.

### **Financial Plan Impact**

Funds are sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill increases the amount of covered claims for certain insurance products in the event of insolvency, and makes some administrative changes to the operation of the Board. Claims related to insolvency are managed by the Association, which is funded by assessments to member insurance carriers, so the bill will have no impact on the District's budget or financial plan.

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<sup>2</sup> Subrogation is the substitution of one person/entity for another with reference to a claim.