

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



Glen Lee
Chief Financial Officer

MEMORANDUM

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

FROM: Glen Lee
Chief Financial Officer 

DATE: October 13, 2026

SUBJECT: Fiscal Impact Statement – Captive Insurance Company Amendment Act of 2026

REFERENCE: Bill 26-588, Draft Committee Print as provided to the Office of Revenue Analysis on September 29, 2026

Conclusion

Funds are sufficient in the fiscal year 2027 through fiscal year 2030 budget and financial plan to implement the bill.

Background

A captive insurance company (captive) is a wholly owned subsidiary established to provide insurance coverage for the risks of its non-insurance parent organization or affiliated entities. A captive allows the insured to also serve as the insurer. This allows organizations to tailor risk-management strategies to their specific operational needs. Captives are formed to ensure a wide range of risk exposure and can underwrite nearly any type of risk typically covered by commercial insurers.¹ The Department of Insurance, Securities and Banking (DISB) licenses and regulates captive insurers operating in the District. There are currently 241 licensed captives operating in the District.

The bill updates² the District's captive insurance law to reflect current practices in the captive industry, clarify provisions of current law, and make technical edits. Specifically, the bill:

¹ National Association of Insurance Commissioners. Captive insurance companies.
<https://content.naic.org/insurance-topics/captive-insurance-companies>

² By amending the Captive Insurance Company Act of 2004, effective March 17, 2005 (D.C. Law 15-262; D.C. Official Code § 31-3931.01 *et seq.*).

- Updates formation and corporate requirements to include articles of organization, which are used by limited liability companies;
- Clarifies terminology for protected cell captive insurers and establishes an expedited certificate process for protected cells³;
- Expands permissible forms of capital to include cash equivalents;⁴
- Allows pure captive insurers and protected cell captive insurers to make immaterial or insubstantial plan changes without prior approval, provided they do not increase insolvency risk;
- Establishes criteria for placing a captive insurer into inactive status instead of closing a captive when a captive finds it necessary to stop underwriting new risk;
- Exempts inactive captive insurers from premium taxes and fees during full inactive years;
- Adds confidentiality protections for annual reports and related information, exempting them from FOIA and shielding them from subpoena or discovery except under limited circumstances;
- Allows the Commissioner to require special purpose financial captives⁵ (SPFCs) to obtain external legal or financial review services at the SPFC's expense;
- Authorizes the Mayor to issue rules related to captive insurers licensed as risk retention groups.

Financial Plan Impact

Funds are sufficient in the fiscal year 2027 through the fiscal year 2030 budget and financial plan to implement the bill. The Department of Insurance, Securities, and Banking (DISB) already regulates captive insurance companies operating in the District. Updating District law to reflect current practices does not have a cost. Exempting inactive captive insurers from premium taxes and fees is expected to have a *de minimis* impact on revenue, as only one of the 241 licensed captives currently pays a minimum premium tax and would qualify for inactive status under the bill. The minimum premium tax is \$7,500⁶ and DISB collected over \$4 million in premium taxes from captive insurers in calendar year 2025.

³ A protected cell captive insurer insures the risks of separate participants through a contract, and segregates each participant's liability through one or more protected cells.

⁴ Such as certificates of deposits and money market accounts.

⁵ A special purpose financial captive is an insurer that is formed for the purpose of an insurance securitization and that only insures or reinsures the risks of its counterparty.

⁶ D.C. Official Code § 31-3931.12(c).