

# ENROLLMENT(S)

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**COUNCIL OF THE DISTRICT OF COLUMBIA**

**D.C. LAW 11-123**

**"Insurance Industry Material Transactions  
Disclosure Act of 1996".**

Pursuant to Section 412 of the District of Columbia Self-Government and Governmental Reorganization Act, P.L. 93-198 "the Act", the Council of the District of Columbia adopted Bill No. 11-239 on first and second readings, February 6, 1996 and March 5, 1996 respectively. Following the signature of the Mayor on March 15, 1996, pursuant to Section 404(e) of "the Act", and was assigned Act No. 11-230 and published in the March 29, 1996, edition of the D.C. Register (Vol. 43 page 1542) and transmitted to Congress on March 29, 1996 for a 30-day review, in accordance with Section 602(c)(1) of the Act.

The Council of the District of Columbia hereby gives notice that the 30-day Congressional Review Period has expired, and therefore, cites this enactment as D.C. Law 11-123, effective May 24, 1996.

  
DAVID A. CLARKE  
Chairman of the Council

Dates Counted During the 30-day Congressional Review Period:

March	29
April	15,16,17,18,19,22,23,24,25,26,29,30
May	1,2,3,6,7,8,9,10,13,14,15,16,17,20,21,22,23

AN ACT  
D.C. ACT 11-230

*Codification  
District of  
Columbia  
Code  
1997 Supp.*

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

MARCH 15, 1996

**New Chapter  
41,  
Title 35**

To establish requirements for the reporting of material transactions by insurers and reinsurers to the Superintendent of Insurance.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the "Insurance Industry Material Transactions Disclosure Act of 1996".

Sec. 2. Report requirement.

(a) Every insurer domiciled in the District of Columbia shall file a report with the Superintendent of Insurance ("Superintendent") disclosing material acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements unless such acquisitions and dispositions of assets or material nonrenewals, cancellations or revisions of ceded reinsurance agreements that have been submitted to the Superintendent for review, approval, or information purposes pursuant to other provisions of the insurance code, laws, regulations, or other requirements.

**New Section  
35-4101**

(b) The report required in subsection (a) of this section is due within 15 days after the end of the calendar month in which any of the transactions enumerated in subsection (a) of this section occur.

(c) One complete copy of the report, including any exhibits or other attachments, shall be filed with:

- (1) The insurance department of the insurer's state of domicile; and
- (2) The National Association of Insurance Commissioners.

(d) All reports obtained by or disclosed to the Superintendent pursuant to this act shall be given confidential treatment and shall not be subject to subpoena, shall not be subject to disclosure under the Freedom of Information Act of 1976, effective March 29, 1977 (D.C. Law 1-96; D.C. Code § 1-1521 *et seq.*), and shall not be made public by the Superintendent, the National Association of Insurance Commissioners, or any other person except to insurance departments of other states, without the prior written consent of the insurer to which it pertains, unless the Superintendent, after giving the insurer who would be affected notice and an opportunity to be heard, determines that the interest of policyholders, shareholders, or the public

will be served by the publication thereof, in which event the Superintendent may publish all or any part in the manner the Superintendent may deem appropriate.

Sec. 3. Acquisition and disposition of assets.

New Section  
35-4102

(a) No acquisition or disposition of assets need be reported pursuant to section 2 if the acquisitions or dispositions are not material. For purposes of this act, a material acquisition (or the aggregate of any series of related acquisitions during any 30-day period) or disposition (or the aggregate of any series of related dispositions during any 30-day period) is one that is nonrecurring and not in the ordinary course of business and involves more than 5% of the reporting insurer's total admitted assets as reported in its most recent statutory statement filed with the insurance department of the insurer's state of domicile.

(b)(1) Asset acquisitions subject to this act include every purchase, lease, exchange, merger, consolidation, succession, or other acquisition other than the construction or development of real property by or for the reporting insurer or the acquisition of materials for such purpose.

(2) Asset dispositions subject to this act include every sale, lease, exchange, merger, consolidation, mortgage, hypothecation, assignment (whether for the benefit of creditors or otherwise), abandonment, destruction, or other disposition.

(c) The following information is required to be disclosed in any report of a material acquisition or disposition of assets:

- (1) Date of the transaction;
- (2) Manner of acquisition or disposition;
- (3) Description of the assets involved;
- (4) Nature and amount of the consideration given or received;
- (5) Purpose of, or reason for, the transaction;
- (6) Manner by which the amount of consideration was determined;
- (7) Gain or loss recognized or realized as a result of the transaction; and
- (8) Names of the persons from whom the assets were acquired or to whom they

were disposed.

(d) Insurers are required to report material acquisitions and dispositions on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100% reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have ceded substantially all of its direct and assumed business to a pool if:

- (1) The insurer has less than \$1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement; and
- (2) The net income of the business not subject to the pooling arrangement represents less than 5% of the insurer's capital and surplus.

**ENROLLED ORIGINAL**

New Section  
35-4103

Sec. 4. Nonrenewals, cancellations, or revisions of ceded reinsurance agreements.

(a) No nonrenewals, cancellations, or revisions of ceded reinsurance agreements need be reported pursuant to section 2 if the nonrenewals, cancellations, or revisions are not material.

(b) For purposes of this act, a material nonrenewal, cancellation, or revision is one that affects:

(1) As respects property and casualty business, including accident and health business written by a property and casualty insurer:

(A) More than 50% of the insurer's total ceded written premium; or

(B) More than 50% of the insurer's total ceded indemnity and loss adjustment reserves.

(2) As respects life, annuity, and accident and health business, more than 50% of the total reserve credit taken for business ceded, on an annualized basis, as indicated in the insurer's most recent annual statement.

(c) As respects either property and casualty or life, annuity, and accident and health business, either of the following events shall constitute a material revision which must be reported:

(1) An authorized reinsurer representing more than 10% of a total cession is replaced by one or more unauthorized reinsurers; or

(2) Previously established collateral requirements that have been reduced or waived as respects one or more unauthorized reinsurers representing collectively more than 10% of a total cession.

(d) No filing shall be required if:

(1) As respects property and casualty business, including accident and health business written by a property and casualty insurer, the insurer's total ceded written premium represents, on an annualized basis, less than 10% of its total written premium for direct and assumed business, or

(2) As respects life, annuity, and accident and health business, the total reserve credit taken for business ceded represents, on an annualized basis, less than 10% of the statutory reserve requirement prior to any cession.

(e) The following information is required to be disclosed in any report of a material nonrenewal, cancellation, or revision of ceded reinsurance agreements:

(1) Effective date of the nonrenewal, cancellation, or revision;

(2) The description of the transaction with an identification of the initiator thereof;

(3) Purpose of, or reason for, the transaction; and

(4) if applicable, the identity of the replacement reinsurers.

(f) Insurers are required to report all material nonrenewals, cancellations, or revisions of ceded reinsurance agreements on a nonconsolidated basis unless the insurer is part of a consolidated group of insurers which utilizes a pooling arrangement or 100% reinsurance agreement that affects the solvency and integrity of the insurer's reserves and the insurer ceded substantially all of its direct and assumed business to the pool. An insurer is deemed to have

ceded substantially all of its direct and assumed business to a pool if the insurer has less than \$1,000,000 total direct plus assumed written premiums during a calendar year that \$1,000,000 total direct plus assumed written premiums during a calendar year that are not subject to a pooling arrangement and the net income of the business not subject to the pooling arrangement represents less than 5% of the insurer's capital and surplus.

Sec. 5. Fiscal impact statement.

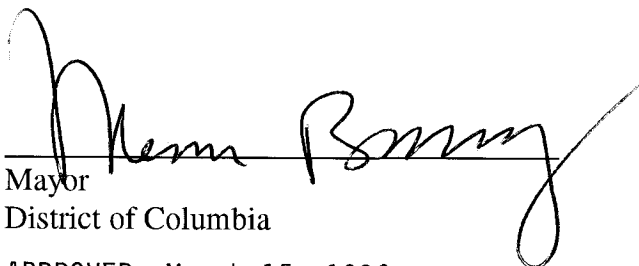
The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 602(c)(3) of the District of Columbia Self-Government and Governmental Reorganization Act, approved December 24, 1973 (87 Stat 813; D.C. Code § 1-233(c)(3)).

Sec. 6. Effective date.

This act shall take effect following approval by the Mayor (or in the event of veto by the Mayor, action by the Council to override the veto), approval by the Financial Responsibility and Management Assistance Authority as provided in section 203(a) of the District of Columbia Financial Responsibility and Management Assistance Authority Act of 1995, approved April 17, 1995 (109 Stat. 116; D.C. Code § 47-392.3(c)), and a 30-day period of Congressional review as provided in section 602(c)(1) of the District of Columbia Self-Government and Governmental Reorganization Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-233(c)(1)), and publication in the District of Columbia Register.



Chairman  
Council of the District of Columbia



Mayor  
District of Columbia

APPROVED: March 15, 1996



COUNCIL OF THE DISTRICT OF COLUMBIA

COUNCIL PERIOD ELEVEN

RECORD OF OFFICIAL COUNCIL VOTE

Docket No.

B11-239

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FIRST READING, 02-06-96

VOICE VOTE

APPROVED

RECORDED VOTE ON REQUEST

ABSENT

ALL PRESENT

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

*Regis Jones*  
Secretary to the Council

*March 6, 1996*  
Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

ADOPTED FINAL READING, 03-05-96

VOICE VOTE

APPROVED

RECORDED VOTE ON REQUEST

ABSENT

RAY

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X-indicates no

AB-Absent

NV-Present not voting

CERTIFICATION RECORD

*Regis Jones*  
Secretary to the Council

*March 6, 1996*  
Date

ITEM ON CONSENT CALENDAR

ACTION & DATE

VOICE VOTE

RECORDED VOTE ON REQUEST

ABSENT

ROLL CALL VOTE - Result

Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB	Councilmember	Aye	Nay	NV	AB
Chmn. Clarke					Jarvis					Smith, Jr.				
Brazil					Lightfoot					Thomas, Sr.				
Chavous					Mason					Whittington				
Cropp					Patterson									
Evans					Ray									

X - Indicates Vote

AB - Absent

NV - Present not Voting

CERTIFICATION RECORD

Secretary to the Council

Date