

AN ACT

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend the Risk-Based Capital Act of 1996 to adopt the risk-based capital trend test ratio of the National Association of Insurance Commissioners and to clarify that fraternal benefit societies are subject to the District’s risk-based capital requirements; and to amend the Health Organization RBC Amendment Act of 2002 to adopt a risk-based capital trend test ratio for health organizations.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Risk-Based Capital Amendment Act of 2016”.

Sec. 2. The Risk-Based Capital Act of 1996, effective April 9, 1997 (D.C. Law 11-233; D.C. Official Code § 31-2001 *et seq.*), is amended as follows:

(a) Section 2 (D.C. Official Code § 31-2001) is amended by adding new paragraphs (6A) and (6B) to read as follows:

“(6A) “Fraternal benefit society” means any insurance company licensed under the Fraternal Benefit Societies Act of 1998, effective April 29, 1998 (D.C. Law 12-86; D.C. Official Code § 31-5301 *et seq.*).

“(6B) “Insurer” means an insurance company covered by this act. The term “insurer” includes a fraternal benefit society.”

(b) Section 3(g) (D.C. Official Code § 31-2002(g)) is amended by striking the phrase “insurer of the adjustment.” and inserting the phrase “insurer of the adjustment. An RBC Report so adjusted is an Adjusted RBC Report.” in its place.

(c) Section 4(a)(1) (D.C. Official Code § 31-2003(a)(1)) is amended as follows:

(1) Subparagraph (B) is amended as follows:

(A) Strike the phrase “If a life or health insurer,” and insert the phrase “If a life or health insurer or fraternal benefit society,” in its place.

(B) Strike the figure “2.5” and insert the figure “3.0” in its place.

(2) Subparagraph (C) is amended by striking the phrase “licensed as”.

(d) Section 7(b)(1) (D.C. Official Code § 31-2006(b)(1)) is amended by striking the phrase “With respect to a life insurer” and inserting the phrase “With respect to a life insurer or fraternal benefit society” in its place.

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Sec. 3. The Health Organization RBC Amendment Act of 2002, effective June 18, 2003 (D.C. Law 14-312; D.C. Official Code § 31-3451.01 *et seq.*), is amended as follows:

(a) Section 101(5)(A) (D.C. Official Code § 31-3451.01(5)(A)) is amended to read as follows:

“(A)(i) The filing of an RBC report by a health organization that indicates that the health organization’s total adjusted capital is greater than or equal to its Regulatory Action Level RBC but less than its Company Action Level RBC; or

“(ii) A health organization has a total adjusted capital that is greater than or equal to its Company Action Level RBC but less than the product of its Authorized Control Level RBC and 3.0, and triggers the trend test determined in accordance with the trend test calculation included in the RBC instructions;”.

(b) Section 102(b) (D.C. Official Code § 31-3451.02(b)) is amended to read as follows:

“(b) A health organization’s RBC level shall be determined in accordance with the formula set forth in the RBC instructions. The formula shall apply and may be adjusted for the covariance between the following factors in the manner set forth in the RBC instructions:

“(1) Asset risk;

“(2) Credit risk;

“(3) Underwriting risk; and

“(4) All other business risks and such other relevant risks as are set forth in the RBC instructions.”.

Sec. 4. Fiscal impact statement.

The Council adopts the fiscal impact statement in the committee report as the fiscal impact statement required by section 4a of the General Legislative Procedures Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

Sec. 5. 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), a 30-day period of congressional review as provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

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24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of Columbia Register.

Chairman
Council of the District of Columbia

Mayor
District of Columbia