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OFFICE OF THE  
MAYOR

VINCENT C. GRAY  
MAYOR

*Feb 13 2013*

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
1350 Pennsylvania Avenue, NW, Suite 504  
Washington, DC 20004

Dear Chairman Mendelson:

I am writing to transmit the "Captive Property Insurance Emergency Amendment Act of 2013," the "Captive Property Insurance Emergency Declaration Resolution of 2013," the "Captive Property Insurance Temporary Amendment Act of 2013" and the "Captive Property Insurance Amendment Act of 2013." This legislation will allow the District of Columbia to receive reimbursement from the Federal Emergency Management Agency (FEMA) for damages sustained by the District during the August 2011 earthquake.

The August 2011 5.8 magnitude earthquake caused \$6,800,000 in damage to District owned property, including 31 school buildings. On November 8, 2011, President Barack Obama signed a disaster declaration for the District of Columbia, making the District eligible to receive public assistance from FEMA equal to seventy-five percent of the total cost to repair the damage to District buildings. Federal law requires that in order to receive FEMA assistance, the District must obtain and maintain insurance equal to the amount of the eligible and paid funding, which is approximately \$5,100,000. In order to receive reimbursement from FEMA, the attached emergency legislation needs to be effective by FEMA's March 2013 deadline. If the legislation is not approved, the District could miss the opportunity to secure the currently available public assistance. Delay also may further expose the District to loss of future FEMA public assistance should another disaster occur prior to the satisfaction of the FEMA insurance requirements.

On the advice of the Office of Risk Management, Homeland Security and Emergency Management Agency, Department of General Services, and Department of Insurance, Securities and Banking, I have concluded that the most cost effective strategy for meeting the federally mandated insurance requirement is to authorize the District's existing Captive insurance agency to issue property insurance policies. To do so, the Captive's enacting statute needs to be amended. The Captive Property Insurance Emergency Amendment Act of 2013 makes two material amendments to the Captive's enacting statute. The first amendment expands the Agency's authority to provide property insurance for risks to District real property assets for various hazards, including earthquakes. The second amendment authorizes the Agency, by delegation from the Mayor, to enter into contracts with other insurance companies and re-

insurers. This amendment would allow the Agency to employ risk transfer strategies to further minimize risk to District owned property.

The attached legislation not only addresses the District's short-term needs with respect to reimbursement for the earthquake-related damage, but also creates a long-term vision for a comprehensive property insurance structure for District property assets. It will improve the District's overall risk management strategies by reducing the probability, occurrence and cost of risk to the District government.

If you have any questions, your staff may contact Ms. Amy Mauro, General Counsel at the Office of Risk management, at (202) 727-9514. Thank you in advance for your support of this important legislation.

Sincerely,  
  
Vincent C. Gray  
Mayor

A RESOLUTION

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

Chairman Phil Mendelson, at the request of the Mayor, introduced the following bill, which was referred to the Committee on \_\_\_\_\_.

To declare the existence of an emergency with respect to the need to amend the Medical Liability Captive Insurance Agency Establishment Act of 2008 to allow that the Captive to issue property insurance for risks to District real property assets for various hazards, and to authorize the Captive to enter into contracts with other insurance companies and re-insurers.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the "Captive Property Insurance Emergency Declaration Resolution of 2013".

Sec. 2.

(a) On August 23, 2011, a 5.8 magnitude earthquake occurred in Washington, DC that caused \$6,800,000 in damage to District owned property, including 31 school buildings.

(b) On November 8, 2011, President Barack Obama signed a disaster declaration for the District of Columbia making the District eligible to receive public assistance from the Federal Emergency Management Agency ("FEMA") equal to seventy-five (75%) percent of the total cost to repair damage to buildings.

(c) FEMA regulations require that in order to receive the FEMA public assistance, the District must obtain and maintain insurance equal to the amount of the eligible and paid funding, which is approximately \$5,100,000.

1 (d) While the FEMA regulations allow for certain extensions of time, the longer the  
2 District prolongs this matter the greater the chances that the District could miss the opportunity  
3 to secure the currently available public assistance. Delay also may further expose the District to  
4 loss of future FEMA public assistance should another disaster occur prior to the satisfaction of  
5 the FEMA insurance requirements.

6 (e) As set forth in the Reorganization Plan of 2003, the DC Office of Risk Management  
7 ("ORM") is vested with the authority to utilize risk financing strategies, including the  
8 procurement of insurance, for the benefit of the District Government to compensate for large  
9 liabilities and catastrophic exposure to risk.

10 (f) The most cost effective strategy for meeting the federally mandated insurance  
11 requirement is through modification of the existing DC Captive law to expand the authority of  
12 the DC Captive to issue property insurance policies.

13 (g) The Captive Property Insurance Emergency Amendment Act of 2012 makes two  
14 material amendments to the DC Captive statute.

15 (h) The first amendment expands the DC Captive's authority to provide property  
16 insurance for risks to District real property assets for various hazards, including earthquakes.

17 (i) The second amendment authorizes the DC Captive to enter into contracts with other  
18 insurance companies and re-insurers. This amendment would allow the Captive to employ risk  
19 transfer strategies to further minimize risk to District owned property.

20 (j) The Captive Property Insurance Emergency Amendment Act of 2012 will provide the  
21 Captive the flexibility to provide the property insurance required by FEMA in order to secure  
22 public assistance funding for repairs to damaged buildings as a result of the 2011 earthquake.

1     Additionally, approving the amendments will improve the District's overall risk management  
2     strategies by reducing the probability, occurrence and cost of risk to the District government.

3             Sec. 3. The Council of the District of Columbia determines that the circumstances  
4     enumerated in section 2 constitute emergency circumstances making it necessary that the  
5     Captive Property Insurance Emergency Act of 2013 be adopted after a single reading.

6             Sec. 4. This resolution shall take effect immediately.