

BEFORE THE  
**INSURANCE COMMISSIONER OF  
THE DISTRICT OF COLUMBIA**

Re: Report on Examination – **District of Columbia Property Insurance Facility**  
as of December 31, 2021

ORDER

An Examination of **District of Columbia Property Insurance Facility** as of December 31, 2021 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 25th day of July 2023, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.



\_\_\_\_\_  
Philip Barlow  
Associate Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND  
BANKING

The logo for the DC Department of Insurance, Securities and Banking (DISB). It features the letters "DISB" in a large, bold, dark blue sans-serif font. Above and below the letters are two horizontal bars. Each bar is composed of four colored segments: green, dark blue, light blue, and blue.

**DISB**

DC DEPARTMENT OF  
**INSURANCE, SECURITIES  
AND BANKING**

REPORT ON EXAMINATION

DISTRICT OF COLUMBIA PROPERTY INSURANCE  
FACILITY

AS OF

DECEMBER 31, 2021

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Washington, D.C.  
July 11, 2023

The Honorable Karima M. Woods  
Commissioner of Insurance  
Department of Insurance, Securities and Banking  
Government of the District of Columbia  
1050 First Street, NE, Suite 801  
Washington, D.C. 20002

Dear Commissioner Woods:

In accordance with the provisions of Sections 31-5006 and 31-1402 of the District of Columbia Official Code, an examination of the financial condition and activities of the

**DISTRICT OF COLUMBIA PROPERTY INSURANCE FACILITY**

hereinafter referred to as the “Facility,” has been completed. The Facility’s administrative office is located at 3290 N Ridge Road., Suite 210, Ellicott City, Maryland 21043, and the following Examination Report (“Report”) thereon is respectfully submitted.

**SCOPE OF EXAMINATION**

The Facility was last examined as of December 31, 2017, by the examiners of the District of Columbia Department of Insurance, Securities and Banking (the “Department”). The current examination was a full-scope financial examination of the Facility, covering the period from January 1, 2018, through December 31, 2021, including any material transactions and/or events noted occurring subsequent to the examination date.

The examination was conducted in accordance with examination policies and standards established by the Department consistent with the insurance laws of the District of Columbia and in accordance with the *Financial Condition Examiners Handbook* (the “Handbook”) published by the National Association of Insurance Commissioners (“NAIC”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Facility, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Facility’s surplus to be materially misstated, both currently and prospectively. Our examination did not cover market conduct related areas.

All accounts and activities of the Facility were considered in accordance with the Risk-Focused Examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with Statutory Accounting Principles. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

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The Report includes significant findings of facts, as mentioned in Section 31-1404 of the District of Columbia Code, and does not attest to the fair presentation of the financial statements included herein. If, during the course of the Examination, an adjustment is identified and considered material, the impact of such adjustment was documented separately in this Report following the Facility's financial statements. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included in the Report but may be separately communicated to the Facility and/or other regulators.

The Facility has a contractual agreement with the Maryland Joint Insurance Association ("JIA"), described under the Management Service Agreement section of this Report, whereby the operations and management of the Facility are managed by JIA with shared common offices and board of directors. Concurrently with this examination, the domestic regulator for JIA, the Maryland Insurance Administration ("MIA"), conducted an examination of JIA as of September 30, 2021. The Department coordinated and participated in certain phases of the MIA examination of JIA and reviewed and placed substantial reliance on the results of that examination where appropriate.

In addition, the Facility was audited annually by the independent public accounting firm Buffamante Whipple Buttafaro, P.C ("BWB"). This firm expressed unqualified opinions on the Facility's financial statements for the years ended December 31, 2018, through December 31, 2021. We placed substantial reliance on the audited financial statements for the years ended 2018 through 2021, and consequently, we performed only minimal testing for those periods. We concentrated our examination efforts on the year ending December 31, 2021. Certain audit work papers of BWB were utilized in determining the scope, areas of emphasis in conducting the examination, and the areas of risk mitigation and substantive testing.

### **SUMMARY OF SIGNIFICANT FINDINGS**

The Examination did not disclose any material adverse findings or adjustments that impacted the Company's reported surplus.

Our examination included a review in determining the current status of the three (3) exception conditions commented upon in our preceding Report on Examination dated December 4, 2019, which covered the period from January 1, 2010, to December 31, 2017. We determined that all exception conditions were corrected.

### **SUBSEQUENT EVENTS**

Effective June 2023, the Facility's Management and Services Sharing Agreement was amended to reflect when the service fee will be paid between the Facility and its Plan Administrator, JIA.

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Effective, June 2022, the Plan of Operation and Rules of the Program documents of the Facility were updated to reflect that the Facility will no longer accept cash payments, as well as incorporating changes related to property inspections.

There were no other significant subsequent events or transactions that warranted disclosure in this examination Report.

### **HISTORY**

#### **General:**

The Facility is established pursuant to Title 31, Subtitle VII, Chapter 50 (“Insurance Placement”) of the D.C. Official Code as an unincorporated association of all insurers licensed to write in the District of Columbia, on a direct basis, essential property insurance or any component thereof in multi-peril policies. Basic property insurance includes standard fire and homeowner’s coverage. The Facility is also governed by the District of Columbia Municipal Regulations, Title 26 (“Insurance”), Chapter 13 (“Insurance Placement Facilities”), which establishes the “Constitution” of the Facility, as well as its “Plan of Operation,” required by Title 31, Chapter 50 of the Code.

The Facility’s primary function is to provide insurance coverage to property owners, individuals, or businesses throughout the District who have been unable to obtain essential property insurance through the competitive property/casualty insurance marketplace. The Facility offers Homeowners, Dwelling, and Commercial property insurance for qualified properties.

The Facility’s tax status is as a partnership, but the entity itself is unique, with an organizational structure as created by DC Code Section 31-5003 et seq. The Facility began operations on October 1, 1972. It replaced the Insurance Placement Facility, which had been in operation since October 1, 1968. The change involved converting from a procedure where most member companies issued their own policies to a procedure by which the Facility issued policies directly.

The Facility operates as the District of Columbia’s (the “District”) Fair Access to Insurance Requirements (“FAIR”) plan. FAIR plans were created in the late 1960s as a “shared market plan” in an effort to make property insurance more readily available to people who have difficulty obtaining insurance from private insurers because their property is considered “high risk.” FAIR plans are typically more expensive than insurance obtained in the regular market and have limited protection.

The Facility operates like an insurer, underwrites and issues its own policies, and assumes the risk on those policies. The Facility is also permitted by Title 31, Chapter 50 of the Code to assess the member insurers for any equity deficit and is financially backed by all private insurers licensed to write property insurance in the District. Each of these companies shares in FAIR Plan profits, losses, and expenses at an amount proportional to its market share.

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This allows multiple insurance companies to share the risk of the most high-risk homes, rather than just one company.

**MANAGEMENT AND CONTROL**

Annual Meetings:

In accordance with Article VI of the Facility’s Constitution, the Annual Meeting of the Board of Directors shall be held on a date fixed by the Board for the election of directors and such other business as may be necessary. Written notice of the annual or any special meeting, stating the time and place and matter to be considered, shall be given to all members at least ten (10) days in advance of the meeting. At any annual or special meeting, members representing at least fifty-one percent (51%), of the aggregate Premiums Written by members of the Facility, based on the most recent available data, shall constitute a quorum. Members may be represented by proxy. The minutes of the Board reviewed during the course of the examination documented that annual meetings were held at places of mutual convenience each year throughout the examination period.

Board of Directors:

The Facility’s Plan of Operation and Section 31-5005 of the D.C. Official Code provide that the Facility shall be governed by a board of 11 directors elected annually from among its members by cumulative voting of the members of the Facility. Contrary to the D.C. Code §31-5005, the Facility member directors were composed of ten (10) directors during the exam period. For further discussion, see the “Summary of Recommendations” section of this Report.

The following member companies/groups and their respective designated representatives who were serving on the Facility’s board as of December 31, 2021, were as follows:

<b>Designated Board Member</b>	<b>Principal Occupation / Title</b>
James M. Mulholland, Chair	Branch Manager Amica Mutual Insurance Co.
Todd Rush, Vice Chair	Claims Manager Travelers Companies
George Dioguardo	Vice President, Claims Brethren Mutual Insurance Co.
Steven D. Linkous	President Harford Mutual Insurance Co.
Frank W. Folger	Managing Counsel Nationwide Mutual Insurance Co.

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Bill Lingenfelter	Fire Claim Section Manager State Farm Fire & Casualty Ins. Co.
Michael Hernandez	Director State Operations Liberty Mutual Group
Patrick R. McDonough	Managing Director The Hartford
Michael Pfarr	Chief Financial Officer Westminster American Ins. Co.
Kristopher Marrion	VP & Branch Manager Erie Insurance Exchange

Committees:

According to the Facility’s Constitution, the Chairperson may appoint, or the board may elect such standing committees as deemed necessary for the transaction of the board’s business. The Chairperson and Vice-Chairperson shall be ex-officio members of all board committees with the right to vote. As of December 31, 2021, the Board of the Facility has established the following committees:

<b>Finance:</b>	<b>Claims:</b>	<b>Underwriting:</b>
Bruce Rush – Chair Jim Mulholland Bill Lingenfelter	Todd Rush – Chair George Dioguardo Richard Parente	Kristopher Marrion – Chair Michael Hernandez Patrick McDonough
<b>Appeals*:</b>	<b>Nominating:</b>	<b>Accounting / Audit:</b>
Bruce Thorne Stavroula Alachnowicz Todd Rush	George Dioguardo – Chair Bill Lingenfelter	Michael Pfarr – Chair Steven Linkours Vicky Bamishile

\*The Appeals Committee does not have a designated chairperson.

Officers:

According to the Facility’s Constitution, the board shall elect from its members a Chairperson and a Vice Chairperson and shall appoint a Secretary. The duly elected officers at December 31, 2021, are as follows:

<b>Name of Director / Officer</b>	<b>Office Position Held</b>
James M. Mulholland	Chairman of the Board
Todd Rush	Vice Chairman of the Board
Christopher Dooley	Manager and Secretary of the Facility

According to the Facility’s Constitution, the board shall have responsibility for the administration of the Facility and shall make appropriate arrangements for the daily

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management of the affairs of the Facility. In accordance with these provisions, the Board appointed Mr. Christopher Dooley as a Manager of the Facility effective in 2012.

**Conflicts of Interest:**

The Facility has established a formal conflict of interest policy. This policy required the Board of Directors, and management of the Facility to annually complete a conflicts-of-interest questionnaire and statement. The conflict of interest questionnaires completed by the board members and employees of the Facility for the period under examination disclosed no material conflicts of interest.

**Corporate Records:**

We reviewed the minutes of the meetings of the Board of Directors and its committees for the period under examination. Based on our review, it appears that the minutes documented the Facility's significant transactions and events, and the Board approved those transactions and events.

**FIDELITY BOND AND OTHER INSURANCE**

The Facility's Constitution requires the Facility to generally indemnify directors and insurer members who may be made party to a proceeding by reason of the director or member's service to the Facility in the capacity of member or director. The Facility's Constitution also provides, at the discretion of the Facility, for the Facility's indemnification of officers or employees of the Facility. In addition, the Facility's Constitution provides that the Facility may purchase and maintain insurance or other protection (e.g., surety bond, letter of credit, etc.) to protect against any liability asserted against a member, director, officer, or employee. According to the Constitution, any such indemnification provided shall be secondary to any applicable coverages the Facility may have procured covering directors and officers' liability or errors and omissions coverage.

**HOLDING COMPANY STRUCTURE**

The Facility is not a member of an insurance holding company system as defined in D.C. Code § 31-701.

**MANAGEMENT SERVICES AGREEMENT**

The Facility's Plan of Operation authorizes the Facility to employ such persons, firms, or corporations to perform such administrative functions as are necessary for the Facility's performance of the duties and functions imposed on the Facility. The Facility has no employees and continues to engage the Maryland Joint Insurance Association ("JIA"), whereby JIA is designated as the administrator for the Facility, performing virtually all operational activities on behalf of the Facility. The administering arrangement is covered under an agreement between the Facility and JIA as described below and remains in force.

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In 1983, the Facility contracted with JIA to provide the former with accounting services. On June 1, 1995, the contract was expanded, and the Facility entered into a “Management and Services Sharing Agreement” (the “Agreement”) with a retroactive effective date of February 1, 1993. Under this Agreement, JIA provides all necessary services and support operations for the Facility, including, but not limited to, accounting, underwriting, policy processing, filing, claims handling and adjustment, and management, as well as other IT, financial recording, and reporting services. On January 11, 2013, the Facility and JIA agreed to reallocate the way that those expenses were shared. That Agreement was terminated and replaced by a new Management and Services Sharing Agreement with a retroactive effective date of October 1, 2012. Under this new Agreement, the Facility reimburses JIA for direct expenses attributable to the operation of the Facility and overhead expenses, which are determined using the percentage of the respective Facility applications processed relative to the total number of applications processed by JIA. A new Management and Services Agreement was executed effective June 14, 2019, which supersedes and replaces the existing agreement dated January 11, 2013. There were no significant changes to the services and terms of the agreement, and the changes mainly accounted for signatures for new Chairmen in 2019.

Management fees incurred by the Facility during the years ended December 31, 2021, and 2020 pursuant to this contract, were \$120,730 and \$125,780. These fees are recorded as a reduction of other underwriting expenses in the accompanying statutory statements of operations. The Facility had an amount due to JIA of \$42,029 and \$29,535 as of December 31, 2021 and 2020.

### **TERRITORY AND PLAN OF OPERATION**

As previously noted in the “History” section of this Report, the Facility was established for the primary purpose of providing essential property insurance to property owners in the District of Columbia who cannot obtain insurance in the standard insurance marketplace. Any property owner eligible for essential property insurance, if unable to obtain such insurance in the standard insurance market, may apply to the Facility. All insurers licensed to write property business in the District on a direct basis are required to participate as members of the Facility. The Facility does not have a rating by any financial rating organization, such as A.M. Best Company, as rating organizations generally do not rate FAIR Plans.

The Facility has no employees of its own. Virtually all necessary services and support for operational activities of the Facility are provided and managed by JIA under the direction of the Facility’s Board of Directors and its appointed Manager through an annually renewed management administrative services agreement.

The Facility operates like an insurer, underwrites and issues its own policies, and assumes the risk on those policies. Any broker or agent licensed in the District can submit applications on behalf of the applicant. The commission rate is twelve (12) percent on premiums collected for new and renewal businesses. All policies are issued for a term of one year. The Facility offers residential and commercial fire coverage (including extended

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coverage covering losses caused by wind, hail, explosion, riot, and other named perils, including vandalism and malicious mischief coverage) and also offers homeowners coverage (beginning in August 2004). Maximum coverage limits per property are \$1,500,000 for residential and commercial fire, \$455,000 for homeowners, dwelling, and \$227,500 for homeowners' contents. The Facility does not provide coverage for flood damage nor offers commercial liability.

The Facility's Plan of Operation provides incentives for the placing of risks in the voluntary insurance market and encourages the depopulation of the Facility's insureds by producers and insurers whenever possible. Moreover, there is no renewal plan available through the Facility. In this regard, all policies are written for a term of one (1) year and will not be considered for continuation unless a valid continuation application request and deposit premium are received by the Facility. The Facility is not permitted to market to consumers actively. The Facility is permitted to assess the member insurers for any equity deficit if necessary.

The Facility's Constitution provides that the principal office of the Facility shall be in the District of Columbia or at a location approved by the Commissioner. In accordance with this provision, the Facility maintains an office in the District of Columbia to serve walk-in customers of the Facility. With the permission of the Commissioner, the Facility's general ledger and all of its accounting records, including the underwriting, policy, and claim records, are maintained in Ellicott City, Maryland, at the home offices of the Facility's Plan Administrator, JIA.

The Facility is a member of the Property Insurance Plans Service Office ("PIPSO), a not-for-profit corporation, reorganized and formed as a business league in January 1995. PIPSO's purpose, according to its website, is to promote the efficient and economical operation of the state residual property insurance plans by encouraging research and sharing of operating knowledge and technologies, collecting and disseminating statistics related to the operation of the plans, and by providing education, training, and other services to plans and to insurers to assist them in meeting their responsibilities in the residual market.

**GROWTH OF THE FACILITY**

The following represents the Facility's premium activity and related results from underwriting for the 4-year period of our examination:

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Premiums Written	\$123,228	\$142,474	\$181,191	\$199,859
Members' Equity (Deficit)	\$2,530,430	\$2,158,306	\$2,209,252	\$2,268,313

## **District of Columbia Property Insurance Facility**

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Our examination disclosed that the Facility's written premium volume decreased steadily during the examination period. In this regard, the number of policies in force fell from 222 in 2018 to 121 in 2021, a decline of 45.5%. The decrease in policies written as a result of depopulation. Depopulation represents a substantial reduction in the population of substandard-risk individuals, which is attributable to individuals returning to the standard insurance market. This depopulation was brought on primarily by a lengthy soft market demand for property and homeowners insurance products. Other contributing factors include property foreclosures, producers placing business with excess and surplus line brokers, and underinsured properties. The fluctuations in member equity are primarily driven by net income or loss and member assessments.

### **REINSURANCE**

The Facility did not cede or assume any business through reinsurance contracts. As previously noted, the Facility is permitted by the DC Official Code to assess the member insurers for any equity deficit.

### **ACCOUNTS AND RECORDS**

As previously noted, the JIA maintains the Facility's accounting books and records. Our review did not disclose any significant deficiencies in these records. However, our review of the Facility's record-keeping and electronic data processing system disclosed areas in which internal controls and electronic data processing controls could be improved. These items are discussed in a confidential management letter issued by the MIA to the Facility's Management and Board of Directors.

Moreover, pursuant to D.C. Code § 31-5008, the Facility is required to furnish to the Commissioner a written report of its transactions, condition, operations, and affairs of the preceding fiscal year ending December 31<sup>st</sup> annually on or before March 1<sup>st</sup> in such form and detail as the Commissioner may determine. Contrary to the D.C. Code § 31-5008, our examination disclosed that the Facility did not timely furnish such a report to the Department. For further discussion, see the "Summary of Recommendations" section of this Report.

### **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. The following financial statements are based on the audited financial statements filed by the Facility with the Department and present the financial condition and results of operations as reported by the Facility for the period ending December 31, 2021. The Analysis of Examination Changes to Members' Equity Schedule and the accompanying Notes to Financial Statements reflect any examination adjustments to the amounts reported in the statutory financial statements as filed and should be considered an integral part of the financial statements.

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**BALANCE SHEET**  
**STATEMENT OF ASSETS, LIABILITIES, AND MEMBERS' EQUITY**

**Admitted Assets**

Bonds	\$	501,122
Cash		2,064,150
Uncollected premiums		5,133
Assessment receivable		113,948
Total assets	\$	<u>2,684,353</u>

**Liabilities and Members' Equity**

Losses (Note 2)	\$	20,168
Loss adjustment expenses (Note 2)		4,455
Commissions payable		32
Unearned premiums		59,769
Advance premiums		3,905
Accrued expenses		23,565
Due to Joint Insurance Association		42,029
Total liabilities	\$	<u>153,923</u>

Members' Equity	\$	<u>2,530,430</u>
Total liabilities and members' equity	\$	<u>2,684,353</u>

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**STATEMENT OF OPERATIONS**

<b>Premiums earned</b>		\$ 134,406
<b>Underwriting deductions:</b>		
Losses incurred	\$ (13,216)	
Loss expenses incurred	18,362	
Other underwriting expenses incurred	<u>142,362</u>	
Total underwriting deductions		147,508
Net underwriting gain (Loss)		<u>\$ (13,102)</u>
<b>Investment Income:</b>		
Investment income		1,122
Aggregate write-ins for miscellaneous income		<u>294</u>
<b>Net Loss</b>		<u>\$ (11,686)</u>

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**MEMBERS' EQUITY ACCOUNT**

Members' equity (deficit), December 31, 2017	\$	630,321
Net income (loss), fiscal year ended December 31, 2018		(504,593)
Change in non-admitted assets		(4,144)
Pension and postretirement plans funded status adjustment		22,977
Net assessments		2,123,752
		2,268,313
Members' equity (deficit), December 31, 2018	\$	2,268,313
Net income (loss), fiscal year ended December 31, 2019		(69,945)
Change in non-admitted assets		(7,830)
Pension and postretirement plans funded status adjustment		18,714
		2,209,252
Members' equity (deficit), December 31, 2019	\$	2,209,252
Net income (loss), fiscal year ended December 31, 2020		(56,929)
Change in non-admitted assets		1,254
Pension and postretirement plans funded status adjustment		4,729
Member assessment		
		2,158,306
Members' equity (deficit), December 31, 2020	\$	2,158,306
Net income (loss), fiscal year ended December 31, 2021		(11,686)
Net assessments		390,890
Change in non-admitted assets		(63,631)
Pension and postretirement plan funded status adjustment		56,551
		2,530,430
Members' equity (deficit), December 31, 2021	\$	2,530,430

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**ANALYSIS OF EXAMINATION CHANGES TO MEMBERS' EQUITY**

There have been no changes made to the financial statements as a result of the examination.

**COMPARATIVE FINANCIAL POSITION AND RESULTS OF THE FACILITY**

Selected financial information for the Facility for the five-years period ended December 31, 2021 was as follows:

	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Assets	2,684,353	2,326,815	2,462,670	2,923,197	1,532,945
Liabilities	153,923	168,509	253,418	654,884	902,624
Members' equity	2,530,430	2,158,306	2,209,252	2,268,313	630,321
Premium earned	134,406	169,025	185,850	206,268	232,072
Net underwriting (loss) gain	(13,102)	(70,864)	(86,820)	(512,640)	(900,996)
Other income	294	266	363	374	385
Net income (loss)	(11,686)	(56,929)	(69,945)	(504,593)	(896,763)

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**NOTES TO FINANCIAL STATEMENTS**

1. **Member Assessments:**

Pursuant to DC Code §31-5001(5)(a), the insurance provided by the Facility shall be at the most reasonable cost possible, provided that insurance pricing by the Facility “(A) Is actuarially self-supporting (B) Does not actively compete with insurance pricing in the normal insurance market provided by authorized insurers.”

The Facility has historically faced significant challenges generating enough cash flow and revenue to cover all expenses to be self-sufficient as the District’s residual market mechanism providing coverage to high-risk properties and individuals unable to obtain insurance in the voluntary insurance market, which generates additional volatility for incurred losses, coupled with the continued significant depopulation of the Facility’s business.

In accordance with DC Code §31-5005(C)(1), the Facility has the statutory authority and established mechanism to assess members to preserve its solvency, mitigate the impact of inadequate rates, and defray losses and expenses. As operating funds are required, the board of directors of the Facility may authorize an assessment of its members.

2. **Loss and Loss Adjustment Reserves:**

As of December 31, 2021, the Facility reported “Losses” and “Loss adjustment expenses” reserves of \$20,168 and \$4,455, respectively. These amounts represent management’s best estimate of the present value of the cost of settling all known and unknown claims that have been incurred as of December 31, 2021.

The methodologies utilized by the Facility to compute these reserves, and the adequacy of the loss and loss adjustment expense reserves as of December 31, 2021, were reviewed as part of our examination. As part of the review, we relied on the Facility’s independent auditor, who concluded that the methodologies and reserves appeared to be sufficient. Additionally, the assumptions and methods utilized by the Facility to compute its reserves as of December 31, 2021, as well as the reserve adequacy, were reviewed by the DISB exam actuary. No significant adverse issues were noted as a result of that review.

District of Columbia Property Insurance Facility

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**COMMENTS AND RECOMMENDATIONS**

**1. Annual reports by the Facility:**

**Description:** Pursuant to Section 31–5008 of the D.C. Code, the Facility is required to file with the Department, annually on or before the 1st day of March, a statement that shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year.

Contrary to the requirements of the stated DC law, our examination disclosed that the Facility has not been filing the required documents and/or reports with the Department on a timely basis during the examination period through the current period.

**Recommendations:** It is recommended that the Facility come into compliance with the requirements of the DC Code and file the required information with the Department before the 1st day of March, as well as submit all other applicable documents once they become available.

**2. Required number of board members:**

**Description:** The Constitution of the Facility adopted pursuant to the provisions of Title 31, Subtitle VII, Chapter 50 Insurance Placement of the District of Columbia Code stipulates the minimum number of member insurers required to make up the Facility’s board of directors.

Specifically, Section 31-5005(e) of the DC Official Code, as adopted by the Constitution of the Facility under Article V. “Board of Directors,” states that “The Association shall be governed by a board of 11 directors, elected annually by cumulative voting by the members of the Association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year.”

Our Examination disclosed that the number of member insurers serving on the Facility’s board of directors from 2019 through the current period is comprised of ten (10) members, contrary to the requirements of the applicable laws of the District of Columbia pursuant to DC Code 31-5005(e), and the Constitution of the Facility as approved by the board and the Department.

**Recommendations:** It is recommended that the Facility fill the vacancy and ensure that the required number of board members complies with applicable laws and regulations and the Constitution of the Facility.

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**CONCLUSION**

The Facility is funded by periodic assessments of all insurers licensed to write property insurance in the District. Members participate in the profits, losses, and expenses incurred by the Facility in the proportionate share of their premiums written to total premiums written by all members of the Facility in the second preceding calendar year. Our examination disclosed that as of December 31, 2021, the Facility had:

Admitted Assets	<u>\$ 2,684,353</u>
Liabilities and Reserves	\$ 153,923
Members' Equity	<u>\$ 2,530,430</u>
Total Liabilities and Members' Equity	<u>\$ 2,684,353</u>

The accompanying financial statements were prepared by the Facility's management and are, therefore, management's responsibility.

**District of Columbia Property Insurance Facility**

Report on Examination

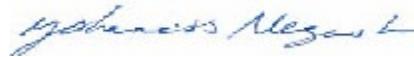
December 31, 2021

**SIGNATURES**

The assistance and cooperation of the Facility's outside audit firm, BWB, and the Company's management and staff were appreciated and are acknowledged.

In addition to the undersigned, David A. Christhif, ACAS, MAAA, P&C Actuary of the Department, also participated in the actuarial portions of this examination.

Respectfully submitted,



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Yohaness Negash, CFE, CFE (Fraud), CIA, CISA  
Sr. Financial Examiner  
District of Columbia Department of  
Insurance, Securities and Banking

Under the Supervision of,



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Nathaniel Kevin Brown, CPA, CFE  
Chief Examiner  
District of Columbia Department of  
Insurance, Securities and Banking