

**DISTRICT OF COLUMBIA
DEPARTMENT OF INSURANCE, SECURITIES, AND BANKING**

NOTICE OF FINAL RULEMAKING

The Commissioner of the Department of Insurance, Securities, and Banking, pursuant to the authority set forth in section 22 of the Captive Insurance Company Act of 2004, effective March 17, 2005 (D.C. Law 15-262; D.C. Official Code § 31-3931.21 (2011 Repl.)), hereby gives notice of the adoption of the following amendments to the captive insurance companies rules published in Subtitle A of Title 26 (Insurance), Chapter 37 (Captive insurance Companies), of the District of Columbia Municipal Regulations (DCMR). The rules implement the provisions of the Holding Company System Act of 1993, effective October 21, 1993 (D.C. Law 10-44; D.C. Official Code § 31-701 *et seq.* (2011 Repl.)) and make applicable certain accreditation requirements, among which address the valuation of securities and other assets, the reconciliation of Generally Accepted Accounting Principles to Statutory Account Principles, annual and quarterly statement filings, and credit for reinsurance and single risk limitations, as they relate to risk retention groups licensed as captive insurance companies.

A Notice of Proposed Rulemaking was published in the *D.C. Register* on September 28, 2012, at 59 DCR 11165. No substantive changes were made to the rulemaking. The rules shall become effective upon the publication in the *D.C. Register*.

Chapter 37, CAPTIVE INSURANCE COMPANIES, of Subtitle A, Title 26, INSURANCE, of the District of Columbia Municipal Regulations is amended as follows:

Section 3700 is amended to read as follows:

3700.1 This regulation shall apply to all captive insurance companies formed or licensed under the provisions of the Captive Insurance Company Act of 2000, effective October 21, 2000 (D.C. Law 13-192; 47 DCR 7320), and the Captive Insurance Company Act of 2004, effective March 17, 2005 (D.C. Law 15-262; 52 DCR 1205), and the amendments thereto.

Subsection 3702.1 is amended to read as follows:

3702.1 All captive insurance companies shall have an annual audit by an independent certified public accountant, authorized by the Commissioner and shall file such audited financial report with the Commissioner. A captive insurer not licensed as domestic risk retention group shall file its annual audited financial report on or before June 30 for the year ending December 31 immediately preceding. A captive insurer licensed as domestic risk retention groups shall file its annual audited financial report on or before June 1 for the year ending December 31 immediately preceding.

Section 3707 is amended by assigning the text the subsection designation 3707.1 and by striking “section 9(d)” and inserting “section 7(d)” in its place.

Section 3708 is repealed in its entirety and replaced as follows:

3708 REVIEW OF CAPTIVE APPLICATION

3708.1 The Commissioner may retain, at the applicant’s expense, any attorneys, actuaries, accountants, consultants, or other experts as may be reasonably necessary to assist the Commissioner in reviewing a captive application.

Section 3709 is repealed and the title replaced with “RESERVED” for future use.

Section 3710 is amended to read as follows:

3710 CAPTIVE MANAGERS AND INTERMEDIARIES

3710.1 No person shall, in or from within the District, act as a captive manager, broker, agent, salesman, or reinsurance intermediary for captive business without the authorization of the Commissioner.

Paragraph 3713.1(d) is amended by striking “5” and inserting “16” in its place.

Section 3714 is amended by assigning the text the subsection designation 3714.1 and by striking “domestic company” in the first and second sentences and inserting “domestic captive” in each place.

Subsection 3716.3 is amended by striking the second full sentence.

Sections 3717 through 3749 shall be marked as “RESERVED.”

New sections 3750 through 3774, and 3798 and 3799 shall be added to read as follows:

3750 REGULATIONS APPLICABLE TO RISK RETENTION GROUPS

3750.1 Sections 3750 through 3774 shall apply only to captive insurers licensed as risk retention groups.

3751 FORMS - GENERAL REQUIREMENTS

3751.1 Forms A, B, C, and D, set forth in the appendices 1 through 4 to chapter 37, are intended to identify the information to be included in the statements required by sections 3, 4, and 5 of the Holding Company System Act of 1993, effective October 21, 1993 (D.C. Law 10-44; D.C. Official Code 31-701 *et seq.* (Holding Company Act). They are not intended to be blank forms which are to be completed but rather line-item instructions describing the information being

sought by the Department and the format of the filed statement. The statements, when filed, must contain references to the corresponding numbers and captions for all items listed on the forms. All instructions, whether appearing under the items of the form or elsewhere therein, are to be omitted. Unless expressly provided otherwise, if any item is inapplicable or the answer thereto is in the negative, an appropriate statement to that effect shall be made.

3751.2 Two (2) complete copies of each statement, including exhibits and all other papers and documents filed as a part thereof, shall be filed with the Commissioner by personal delivery or mail addressed to: Department of Insurance, Securities and Banking, 810 First Street, N.E., Suite 701, Washington, D.C. 20002. A copy of Form C shall be filed in each jurisdiction in which an insurer is registered within thirty (30) days of filing such form with the Commissioner. At least one of the copies shall be manually signed in a manner prescribed on the form. Unsigned copies shall be confirmed. If the signature of any person is affixed pursuant to a power of attorney or other similar authority, a copy of such power of attorney or other authority shall also be filed with the statement.

3751.3 Statements should be prepared on letter- or legal-sized paper and preferably bound at the top or the top left-hand corner. Exhibits and financial statements, unless specifically prepared for the filing, may be submitted in their original size. All copies of any statement, financial statements, or exhibits shall be clear, easily readable, and suitable for photocopying. Debits in credit categories and credits in debit categories shall be designated so as to be clearly distinguishable as such on photocopies. Statements shall be in the English language and monetary values shall be stated in U.S. currency. If any exhibit or other paper or document filed with the statement is in a foreign language, it shall be accompanied by a translation into the English language and any monetary value shown in a foreign currency normally shall be converted into United States currency.

3752 FORMS - INCORPORATION BY REFERENCE, SUMMARIES AND OMISSION

3752.1 Information required by any item of Forms A, B, or D may be incorporated by reference in answer or partial answer to any other item. Information contained in any financial statement, annual report, proxy statement filed with a governmental authority, or any other document may be incorporated by reference in answer or partial answer to any item of Forms A, B, or D provided such document or paper is filed as an exhibit to the statement. Excerpts of documents may be filed as exhibits if the documents are extensive. Documents currently on file with the Commissioner which were filed within the three (3) years immediately preceding need not be attached as exhibits. References to information contained in exhibits or in documents already on file shall clearly identify the material and shall specifically indicate that such material is to be incorporated by reference in answer to the item. Matter shall not be incorporated by reference in any case

where such incorporation would render the statement incomplete, unclear, or confusing.

3752.2 Where an item requires a summary or outline of the provisions of any document, only a brief statement shall be made as to the pertinent provisions of the document. In addition to such statement, the summary or outline may incorporate by reference particular parts of any exhibit or document currently on file with the Commissioner which was filed within the three (3) years immediately preceding and may be qualified in its entirety by such reference. In any case where two (2) or more documents required to be filed as exhibits are substantially identical in all material respects except as to the parties thereto, the dates of execution, or other details, a copy of only one (1) of such documents need be filed with a schedule identifying the omitted documents and setting forth the material details in which such documents differ from the documents a copy of which is filed.

3753 FORMS - INFORMATION UNKNOWN OR UNAVAILABLE AND EXTENSION OF TIME TO FURNISH

3753.1 Required information should be given only insofar as it is known or reasonably available to the person filing the statement. If any required information is unknown and not reasonably available to the person filing, either because obtaining the information would involve unreasonable effort or expense, or because it rests peculiarly within the knowledge of another person not affiliated with the person filing, the information may be omitted, subject to the following conditions:

- (a) The person filing shall give such information on the subject as it possesses or can acquire without unreasonable effort or expense, together with the sources thereof; and
- (b) The person filing shall include a statement either showing that unreasonable effort or expense would be involved or indicating the absence of any affiliation with the person within whose knowledge the information rests and stating the result of a request made to such person for the information.

3753.2 If it is impractical to furnish any required information, document, or report at the time it is required to be filed, information may be filed with the Commissioner that:

- (a) Identifies the information, document, or report in question;
- (b) States why the filing thereof at the time required is impractical; and
- (c) Requests an extension of time for filing the information, document or report to specified date. The request for extension shall be deemed granted

unless the Commissioner enters an order denying the request within sixty (60) days after receipt thereof.

3754 FORMS - ADDITIONAL INFORMATION AND EXHIBITS

3754.1 In addition to the information expressly required to be included in Forms A, B, C, and D, there shall be added such further material information, if any, as may be necessary to make the information contained therein not misleading. The person filing may also file such exhibits as it may desire in addition to those expressly required by the statement. Such exhibits shall be so marked as to indicate clearly the subject matters to which they refer. Changes to Forms A, B, C, and D shall include on the top of the cover page the phrase: "Changes No. (insert number) to" and shall indicate the date of the change and not the date of the original filing.

3755 SUBSIDIARIES OF DOMESTIC INSURERS

3755.1 The authority to invest in subsidiaries under section 3 of the Holding Company Act is in addition to any authority to invest in subsidiaries which may be contained in any other provision of the Insurance Code.

3756 ACQUISITION OF CONTROL - STATEMENT FILING

3756.1 A person required to file a statement pursuant to section 4 of the Holding Company Act shall furnish the required information on Form A, hereby made a part of this regulation.

3757 AMENDMENTS TO FORM A

3757.1 The applicant shall promptly advise the Commissioner of any changes in the information furnished on Form A arising subsequent to the date upon which such information was furnished but prior to the Commissioner's disposition of the application.

3758 ACQUISITION OF SECTION 4(b) INSURERS

3758.1 If the person being acquired is deemed to be a "domestic insurer" solely because of the provisions of subsection 4(b) of the Holding Company Act, the name of the domestic insurer on the cover page should be indicated as follows:

"ABC Insurance Company, a subsidiary of XYZ Holding Company".

3758.2 Where a subsection 4(b) insurer is being acquired, references to the "the insurer" contained in Form A shall refer to both the domestic subsidiary insurer and the person being acquired.

3759 ANNUAL REGISTRATION OF INSURERS - STATEMENT FILING

3759.1 An insurer required to file an annual registration statement pursuant to section 6 of the Holding Company Act shall furnish the required information on Form B, hereby made a part of these regulations.

3760 SUMMARY OF REGISTRATION - STATEMENT FILING

3760.1 An insurer required to file an annual registration statement pursuant to section 6 of the Holding Company Act shall also furnish the required information on Form C, hereby made a part of these regulations. An insurer shall file a copy of Form C in each jurisdiction in which the insurer is authorized to do business within thirty (30) days of filing such form with the Commissioner.

3761 AMENDMENTS TO FORM B (RESERVED)

3762 ALTERNATIVE AND CONSOLIDATED REGISTRATIONS

3762.1 Any authorized insurer may file a registration statement on behalf of any affiliated insurer or insurers which are required to register under section 6 of the Holding Company Act. A registration statement may include information not required by the Holding Company Act regarding any insurer in the insurance holding company system even if such insurer is not authorized to do business in this jurisdiction. In lieu of filing a registration statement on Form B, the authorized insurer may file a copy of the registration statement or similar report which it is required to file in its jurisdiction of domicile provided:

- (a) The statement or report contains substantially similar information required to be furnished on Form B; and
- (b) The filing insurer is the principal insurance company in the insurance holding company system.

3762.2 The question of whether the filing insurer is the principal insurance company in the insurance holding company system is a question of fact and an insurer filing a registration statement or report in lieu of Form B on behalf of an affiliated insurer, shall set forth a brief statement of facts which will substantiate the filing insurer's claim that it, in fact, is the principal insurer in the insurance holding company system.

3762.3 With the prior approval of the Commissioner, an unauthorized insurer may follow any of the procedures which could be done by an authorized insurer under subsection 3753.1 above.

3762.4 Any insurer may take advantage of the provisions of subsection 6(h) or 6(i) of the Holding Company Act without obtaining the prior approval of the Commissioner. The Commissioner, however, reserves the right to require individual filings if he

or she deems such filings necessary in the interest of clarity, ease of administration, or the public good.

3763 DISCLAIMERS AND TERMINATION OF REGISTRATION

3763.1 A disclaimer of affiliation or a request for termination of registration claiming that a person does not, or will not upon the taking of some proposed action, control another person (hereinafter referred to as the "Subject" for the purposes of this section) shall contain the following information:

- (a) The number of authorized, issued, and outstanding voting securities of the Subject;
- (b) With respect to the person whose control is denied and all affiliates of such person, the number and percentage of shares of the Subject's voting securities which are held of record or known to be beneficially owned, and the number of such shares concerning which there is a right to acquire, directly or indirectly;
- (c) All material relationships and bases for affiliation between the Subject and the person whose control is denied and all affiliates of such person; and
- (d) A statement explaining why such person should not be considered to control the Subject.

3763.2 A request for termination of registration shall be deemed to have been granted unless the Commissioner, within thirty (30) days after he receives the request, notifies the registrant otherwise.

3764 TRANSACTIONS SUBJECT TO PRIOR NOTICE - NOTICE FILING

3764.1 An insurer required to give notice of a proposed transaction pursuant to section 7 of the Holding Company Act shall furnish the required information on Form D, hereby made a part of these regulations.

3765 EXTRAORDINARY DIVIDENDS AND OTHER DISTRIBUTIONS

3765.1 Requests for approval of extraordinary dividends or any other extraordinary distribution to shareholders shall include the following:

- (a) The amount of the proposed dividend;
- (b) The date established for payment of the dividend;

- (c) A statement as to whether the dividend is to be in cash or other property and, if in property, a description thereof, its cost, and its fair market value together with an explanation of the basis for valuation;
- (d) A copy of the calculations determining that the proposed dividend is extraordinary. The work paper shall include the following information:
 - (1) The amounts, dates and form of payment of all dividends or distributions (including regular dividends but excluding distributions of the insurers own securities) paid within the period of twelve (12) consecutive months ending on the date fixed for payment of the proposed dividend for which approval is sought and commencing on the day after the same day of the same month in the last preceding year.
 - (2) Surplus as regards policyholders (total capital and surplus) as of the thirty-first (31st) day of December next preceding;
 - (3) If the insurer is a life insurer, the net gain from operations for the twelve (12) month period ending the thirty-first (31st) day of December next preceding;
 - (4) If the insurer is not a life insurer, the net income less realized capital gains for the twelve (12)-month period ending the thirty-first (31st) day of December next preceding and the two (2) preceding twelve (12) month periods; and
 - (5) If the insurer is not a life insurer, the dividend paid to stockholders excluding distributions of the insurer's own securities in the preceding (2) two calendar years.
- (e) A balance sheet and statement of income for the period intervening from the last annual statement filed with the Commissioner and the end of the month preceding the month in which the request for dividend approval in submitted; and
- (f) A brief statement as to the effect of the proposed dividend upon the insurer's surplus and the reasonableness of surplus in relation to insurer's outstanding liabilities and the adequacy of surplus relative to the insurer's financial needs.

3765.2 Subject to subsection 7(b) of the Holding Company Act, each registered insurer shall report to the Commissioner all dividends and other distributions to shareholders within fifteen (15) business days following the declaration thereof, including the same information required by subparagraphs 3765.1(d)(1)-(5).

3765.3 Nothing in this section shall relieve an insurer from its obligation to obtain prior written approval from the Commissioner before making any material or substantive change to its business plan pursuant to subsection 10(f) of the Captive Insurance Company Act of 2004.

3766 ADEQUACY OF SURPLUS

3766.1 The factors set forth in subsection 7(d) of the Holding Company Act are not intended to be an exhaustive list. In determining the adequacy and reasonableness of an insurer's surplus no single factor is necessarily controlling. The Commissioner, instead, will consider the net effect of all of these factors plus other factors bearing on the financial condition of the insurer. In comparing the surplus maintained by other insurers, the Commissioner will consider the extent to which each of these factors varies from company to company and in determining the quality and liquidity of investments in subsidiaries, the Commissioner will consider the individual subsidiary and may discount or disallow its valuation to the extent that the individual investments so warrant.

3767 RESERVED

3768 VALUATION OF BONDS

3768.1 All bonds or other evidences of debt having a fixed term and rate of interest held by an insurer may, if amply secured and not in default as to principal or interest, be valued based on Generally Accepted Accounting Principles (GAAP), or at the discretion of the Commissioner, modified GAAP, or Statutory Accounting Principles, as follows:

- (a) If purchased at par, at the value; or
- (b) If purchased above or below par, on the basis of the purchase price adjusted so as to bring the value to par at maturity and so as to yield in the meantime the effective rate of interest at which the purchase was made.

3768.2 The purchase price shall in no case be taken at a higher figure than the actual market value at the time of purchase, plus actual brokerage, transfer, postage, or express charges paid in the acquisition of such securities.

3768.3 The Commissioner shall have full discretion in determining the method of calculating values according to the rules set forth in this section, but no such method or valuation shall be inconsistent with any applicable valuation or method used by insurers in general, or any such method then currently formulated, or approved or permitted by the National Association of Insurance Commissioners or its successor organization.

3769 VALUATION OF OTHER SECURITIES

- 3769.1 Securities, other than those referred to in section 3768, held by an insurer shall be valued, in the discretion of the Commissioner, at their market value, or at their appraised value, or at prices determined by it as representing their fair market value.
- 3769.2 Preferred or guaranteed stocks or shares while paying full dividends may be carried at a fixed value in lieu of market value, at the discretion of the Commissioner and in accordance with such method of valuation as it may approve.
- 3769.3 Stock of a subsidiary corporation of an insurer shall not be valued at an amount in excess of the net value thereof as based upon those assets only of the subsidiary which would be eligible under for investment of the funds of the insurer directly.
- 3769.4 No valuations under this section shall be inconsistent with any applicable valuation or method then currently formulated or approved by the National Association of Insurance Commissioners or its successor organization.

3770 OTHER INVESTED ASSETS

- 3770.1 A captive's other invested assets shall be valued in accordance with procedures promulgated by the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual, or as prescribed by the Commissioner. A prescribed valuation methodology approved by the Commissioner shall be made available to the public.

3771 GAAP TO SAP RECONCILIATION

- 3771.1 All captives using Generally Accepted Accounting Principles (GAAP) or modified GAAP shall include a reconciliation from GAAP or modified GAAP to Statutory Accounting Principles (SAP) in the notes to its financial statements.

3772 ANNUAL STATEMENT FILING REQUIREMENTS

- 3772.1 Insurers required to file annual and quarterly statements pursuant to section 3(a)(2) of the Risk Retention Act of 1993, effective October 23, 1993 (D.C. Law 10-46; D.C. Official Code § 31-4101(a)(2)), shall use the annual and quarterly statement instructions of the National Association of Insurance Commissioners.
- 3772.2 All financial statements shall be filed electronically with the National Association of Insurance Commissioners.

3773 CREDIT FOR REINSURANCE

- 3773.1 If any provision of this section, or its application to any person or circumstance, is held invalid, such determination shall not affect other provisions or applications of this regulation which can be given effect without the invalid provision or application, and to that end the provisions of this regulation are separable.
- 3773.2 A risk retention group shall not receive statement credit if all of its policies are ceded through one hundred percent (100%) reinsurance arrangements, or another lesser percentage as required, in the discretion of the Commissioner.
- 3773.3 Credit for reinsurance will be permitted if the reinsurer complies with D.C. Official Code § 31-501 *et seq.* A reinsurer that satisfies the requirements in D.C. Official Code § 31-501 *et seq.* shall also comply with the reinsurance regulations in Chapter 28 of Title 26 A of the District of Columbia Municipal Regulations.
- 3773.4 Credit for reinsurance may be permitted if the reinsurer maintains an A- or higher A.M. Best rating, or other comparable rating from a nationally recognized rating organization, and the reinsurer maintains a minimum policyholder surplus in an amount acceptable to the Commissioner based upon a review of the reinsurer's most recent audited financial statements; and the reinsurer is licensed and domiciled in a jurisdiction acceptable to the Commissioner.
- 3773.5 Credit for reinsurance may be permitted if the reinsurer satisfies all of the following requirements and any other requirements deemed necessary by the Commissioner:
- (a) The captive manager or risk retention group licensed as a captive insurer shall file annually, on or before June 30, the reinsurer's audited financial statements, which shall be analyzed by the Commissioner to assess the appropriateness of the reserve credit or the initial and continued financial condition of the reinsurer;
 - (b) The reinsurer shall demonstrate to the satisfaction of the Commissioner that it maintains a ratio of net written premium, wherever written, to surplus and capital of not more than three (3) to one (1);
 - (c) The affiliated reinsurer shall not write third-party business without obtaining prior written approval from the Commissioner;
 - (d) The reinsurer shall not use cell arrangements without obtaining prior written approval from the Commissioner;
 - (e) The reinsurer shall be licensed and domiciled in a jurisdiction acceptable to the Commissioner; and
 - (f) The reinsurer shall submit to the examination authority of the Commissioner.

- 3773.6 The Commissioner shall either require a reinsurer not domiciled in the US to include language in the reinsurance agreement that states that in the event of the reinsurer's failure to perform its obligations under the terms of its reinsurance agreement, it shall submit to the jurisdiction of any court of competent jurisdiction in the US or shall require compliance with subsection 3773.7.
- 3773.7 For credit for reinsurance and solvency regulatory purposes, the Commissioner may require an approved funds-held agreement; letter of credit; trust or other acceptable collateral based on unearned premium, loss, and LAE reserves; or IBNR.
- 3773.8 Upon application, the Commissioner may waive either of the reinsurance requirements in subsection 3773.5(b) or 3773.5(f) in circumstances where the risk retention group licensed as a captive insurer or reinsurer can demonstrate to the satisfaction of the Commissioner that the reinsurer is sufficiently capitalized based upon an annual review of the reinsurer's most recent audited financial statements, the reinsurer is licensed and domiciled in a jurisdiction satisfactory to the Commissioner, and the proposed reinsurance agreement adequately protects the risk retention group licensed as a captive insurer and its policyholders. Any such waiver should be included in the plan of operation, or any subsequent revision or amendment of the plan, pursuant to section 3902(d)(1) of the Federal Liability Risk Retention Act of 1986, and the plan must be submitted by the risk retention group licensed as a captive to the Commissioner of its state of domicile and each state in which the risk retention group licensed as a captive intends to do business or is currently registered. Any such waiver of a section 3773.5 requirement constitutes a change in the risk retention group's plan of operation in each of those states.
- 3773.9 Upon application, the Commissioner may waive the requirement in section 3773.6 that a reinsurance arrangement must satisfy either section 3773.6 or 3773.7 in circumstances where the risk retention group licensed as a captive insurer or reinsurer can demonstrate to the satisfaction of the Commissioner that the reinsurer is sufficiently capitalized based upon an annual review of the reinsurer's most recent audited financial statements, the reinsurer is licensed and domiciled in a jurisdiction satisfactory to the Commissioner, and the proposed reinsurance agreement adequately protects the risk retention group licensed as a captive insurer and its policyholders. Any such waiver should be disclosed in Note 1 of the risk retention group's annual statutory financial statement.
- 3773.10 Each approved captive manager or risk retention group licensed as a captive insurer shall assess the reinsurance programs of the risk retention groups licensed as captives under their management, and within sixty (60) days of the effective date of this rulemaking, submit a written report to the Commissioner indicating whether such risk retention groups licensed as captives are in compliance with these guidelines. All risk retention groups licensed as captive insurers that fail to

submit the report in a timely manner shall be examined, at the risk retention group's expense, to determine compliance with this rulemaking.

3773.11 This section shall be effective after one hundred twenty (120) days from the effective date of these rules. Risk retention groups licensed as captive insurers who require additional time to comply with these guidelines shall be permitted to take credit for reinsurance for risks ceded to reinsurers not in compliance with these guidelines for a period not to exceed twelve (12) months from the effective date of these guidelines upon satisfactory demonstration to the Commissioner that such delay of implementation will not cause a hazardous financial condition or potential harm to its member policyholders.

3774 RISK LIMITATION

3774.1 A risk retention group organized as a stock insurer shall not expose itself to any loss on any one risk or hazard, whether located in the District or outside the District, to an amount exceeding ten percent (10%) of the sum of its capital stock and surplus. A risk retention group organized as a mutual or reciprocal insurer shall not expose itself to any loss on any one risk or hazard, whether located in the District or outside the District, to an amount exceeding ten percent (10%) of its surplus.

3774.2 No portion of any such risk or hazard which shall have been reinsured in a reinsurer authorized to reinsure a risk retention group shall be included in determining limitation of risk.

3774.3 The Commissioner may waive the ten percent (10%) limitation in section 3774.1 upon application by the risk retention group for good cause shown. Under no circumstances, however, shall the Commissioner allow a risk retention group's risk limitation to exceed twenty percent (20%) of the sum of the company's capital and surplus if the risk retention group is organized as a stock insurer or twenty percent (20%) of the company's surplus if the risk retention group is organized as a reciprocal or mutual insurer.

3798 APPENDICES

3798.1 FORM A

STATEMENT REGARDING THE ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

Name of Domestic Insurer
BY

Name of Acquiring Person (Applicant)
Filed with the Insurance Department of

___ (jurisdiction of Domicile of insurer being acquired)

Date: ___, 19 ___

Name, Title, address and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed: ___

ITEM 1. INSURER AND METHOD OF ACQUISITION

State the name and address of the domestic insurer to which this application relates and a brief description of how control is to be acquired.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) State the name and address of the applicant seeking to acquire control over the insurer.

(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors thereof shall have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.

(c) Furnish a chart or listing clearly presenting the identities of the inter-relationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person is maintained other than by the ownership or control voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g. corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, set forth the title of the court, nature of proceedings and the date when commenced.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

State the following with respect to (1) the applicant if (s)he is an individual or (2) all persons who are directors, executive officers or owners of 10% or more of the voting securities of the applicant if the applicant is not an individual.

(a) Name and business address;

(b) Present principal business activity, occupation or employment including position and office held and the name, principal business and address of any corporation or other organization in which such employment is carried on;

(c) Material occupations, positions, offices or employment during the last five years, giving the starting and ending dates of each and the name, principal business and address

of any business corporation or other organization in which each such occupation, position, office or employment was carried on; if any such occupation, position, office or employment required by licensing or registration with any federal, state or municipal governmental agency, indicate such fact, the current status of such licensing or registration, and an explanation of any surrender, revocation, suspension or disciplinary proceedings in connection therewith.

(d) Whether or not such person has ever been convicted in a criminal proceeding (excluding minor traffic violations) during the last ten years and, if so, give the date, nature of conviction, name and location of court, and penalty imposed or other disposition of the case.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.

(b) Explain the criteria used in determining the nature and amount of such consideration.

(c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, he must specifically request that the identity be kept confidential.

ITEM 5. FUTURE PLANS OF INSURER

Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such insurer, to sell its assets to or merged it with any person or persons or to make any other material change in its business operations, corporate structure or management.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

State the number of shares of the insurer's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was arrived at.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

State the amount of each class of any voting security of the insurer which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.

ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Give a full description of any contracts, arrangement or understandings with respect to any voting security of the insurer in which the applicant, its affiliates or any person listed in Item 3 is involved, including but not limited to transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits division of losses or profits, or the giving or withholding of Proxies. Such description shall identify the persons with who such contracts, arrangements or understanding have been entered into.

ITEM 9. RECENT PURCHASE OF VOTING SECURITIES

Describe any purchase of any voting securities of the insurer by the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this Statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefor. State whether any such shares so purchased are hypothecated.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Describe any recommendations to purchase any voting security of the insurer made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the 12 calendar months preceding the filing of this statement.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the insurer for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.
- (b) The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors thereof shall have been in existence), and similar information covering the period from the end of such person's last

fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the Commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year the ended, in conformity with generally accepted accounting principles or with requirements of insurance or other accounting principles prescribed or permitted under law. If the applicant is an insurer which is actively engaged in the business of insurance, the financial statements need not be certified, provided they are based on the Annual Statement of such person filed with the insurance department of the person's domiciliary jurisdiction and are in accordance with the requirements of insurance or other accounting principles prescribed or permitted under the law and regulations of such jurisdiction.

(c) File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, the agreements to acquire or change any voting securities of the insurer and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the insurer, annual reports to the stockholders of the insurer and the applicant for the last two fiscal years, and any additional documents or papers required by Form A or District Regulations.

ITEM 13. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 4 of the Act ___ has caused this applicant to be duly signed on behalf in the City of ___ on the ___ day of ___. 20 ___.

(SEAL) ___

Name of Applicant

BY ___

(Name) (Title)

Attest:

(Signature of Officer)

(Title)

CERTIFICATION

The undersigned deposes and says that (s)he duly executed the attached application dated ___, 20 ___, for and on behalf of ___ (Name of Applicant); that (s)he is the ___ (Title of Officer) of such company and that (s)he is authorized to executed and file such instrument. Deponent further says that (s)he is familiar with such instrument and the

contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) _____

(Type or print name Beneath) _____

3798.2 FORM B

INSURANCE HOLDING COMPANY SYSTEM ANNUAL REGISTRATION STATEMENT

Filed with the Insurance Department of the _____

By

Name of Registrant

On behalf of Following Insurance Companies

Name Address

Date: _____, 20 _____

Name, Title, Address and telephone number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed: _____

ITEM 1. IDENTITY AND CONTROL OR REGISTRANT

Furnish the exact name of each insurer registering or being registered (hereinafter called "the Registrant"), the home office address and principal executive offices of each: the date on which each Registrant became part of the insurance holding company system and the method(s) by which control of each Registrant was acquired and is maintained.

ITEM 2. ORGANIZATIONAL CHART

Furnish a chart or listing clearly presenting the identities of any interrelationships among all affiliated persons within the insurance holding company system. No affiliate need be shown if its total assets are equal to less than 1/2 of 1% of the total assets of the ultimate controlling person within insurance holding company system unless it has assets of valued at or exceeding (insert amount). The chart or listing should show the percentage of each class of voting securities of each affiliate which is owned, directly or indirectly, by another affiliate. If control of any person within the system is maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing indicate the type of organization (e.g., - corporation, trust, partnership) and the state or other jurisdiction of domicile.

ITEM 3. THE ULTIMATE CONTROLLING PERSON

As to the ultimate controlling person in the insurance holding company system furnish the following information:

(a) Name.

- (b) Home office address.
- (c) Principal executive office address.
- (d) The organizational structure of the person, i.e., corporation, partnership, individual, trust, etc.
- (e) The principal business of the person.
- (f) The name and address of any person who holds or owns 10% or more of any class of voting security, the class of such security, the number of shares held of record or known to be beneficially owned, and the percentage of class so held or owned.
- (g) If court proceedings involving a reorganization or liquidation are pending, indicate the title and location of the court, the nature of proceedings and the date when commenced.

ITEM 4. BIOGRAPHICAL INFORMATION

Furnish the following information for the directors and executive officers of the ultimate controlling person: the individual's name, address, his or her principal occupation and all offices and positions held during the past five years, and any conviction of crimes other than minor traffic violations during the past ten years.

ITEM 5 TRANSACTIONS AND AGREEMENTS

Briefly describe the following agreements in force, and transactions currently outstanding or which have occurred during the last calendar year between the Registrant and its affiliates:

- (1) loans, other investments, or purchases, sales or exchanges of securities of the affiliates by the Registrant or of the Registrant by its affiliates;
- (2) purchases, sales or exchanges of assets;
- (3) transactions not in the ordinary course of business;
- (4) guarantees or undertakings for the benefit of an affiliate which result in an actual contingent exposure of the Registrant's assets to liability, other than insurance contracts entered into in the ordinary course of the Registrant's business;
- (5) all management agreements, service contracts and all cost-sharing arrangements;
- (6) reinsurance agreements;
- (7) dividends and other distributions to shareholders;

- (8) consolidated tax allocation agreements; and
- (9) any pledge of the Registrant's stock and/or of the stock of any subsidiary or controlling affiliate, for a loan made to any member of the insurance holding company system.

No information need be disclosed if such information is not material for purposes of Section 6 of the Holding Company Act.

Sales, purchases, exchanges, loan or extensions of credit, investments or guarantees involving one-half of 1% or less of the Registrant's admitted assets as of the 31st day of December next preceding shall not be deemed material. (Note: Commissioner may rule, regulation or order provide otherwise).

The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include at least the following: the nature purpose of the transaction, the nature and amounts of any payments or transfer of assets between the parties, the identity of all parties to such transaction, and relationship of the affiliated parties to the Registrant.

ITEM 6. LITIGATION OR ADMINISTRATIVE PROCEEDINGS

A brief description of any litigation or administrative proceedings of the following types, either then pending or concluded within the preceding fiscal year, to which the ultimate controlling person or any of its directors or executive officers was a party or of which the property of any such person is or was the subject; give the names of the parties and the court or agency in which such litigation or proceeding is or was pending:

- (a) Criminal prosecutions or administrative proceedings by any government agency or authority which may be relevant to the trustworthiness of any party thereto; and
- (b) Proceedings which may have a material effect upon the solvency or capital structure of the ultimate holding company including, but not necessarily limited to bankruptcy, receivership or other corporate reorganizations.

ITEM 7. STATEMENT REGARDING PLAN OR SERIES OF TRANSACTIONS

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions, the purpose of which is to avoid statutory threshold amounts and the review that might otherwise occur.

ITEM 8. FINANCIAL STATEMENTS AND EXHIBITS

- (a) Financial statements and exhibits should be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.

(b) The financial statements shall include the annual financial statements of the ultimate controlling person in the insurance holding company system as of the end of the person's latest fiscal year.

If at the time of the initial registration, the annual financial statements for the latest fiscal year are not available, annual statements for the previous fiscal year may be filed and similar financial information shall be filed for any subsequent period to the extent such information is available. Such financial statements may be prepared on either an individual basis, or unless the Commissioner otherwise requires, on a consolidated basis, or unless the Commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.

Unless the Commissioner otherwise permits, the annual financial statements shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the ultimate controlling person and the results of its or with requirements of insurance or other accounting principles prescribed or permitted under law. If the ultimate controlling person is an insurer which is actively engaged in the business of insurance, the annual financial statements need not be certified, provided they are based on the Annual Statement of such insurer filed with requirements of insurance or other accounting principles prescribed or permitted under the law and regulation of such jurisdiction.

(c) Exhibits shall include copies of the latest annual reports to shareholders of the ultimate controlling person and proxy material used by the ultimate controlling person; and any additional documents or papers required by Form B or District Regulations.

ITEM 9. FORM C REQUIRED

A FORM C, Summary of Registration Statement, must be prepared and filed with this Form B.

ITEM 10. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 6 of the Holding Company Act, the Registrant has caused this annual registrant statement to be duly signed on its behalf in the City of ____ on the ____ day of ____, 20 ____.

(SEAL) ____

Name of Registrant

BY ____

(Name) (Title)

Attest: ____

(Signature of Officer)

(Title)

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached annual registration statement dated ____, 20 ____, for and on behalf of ____ (Name of Company); that (s)he is the ____ (Title of Officer) of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) ____

(Type or print name Beneath) ____

3798.3 FORM C

SUMMARY OF REGISTRATION STATEMENT

Filed with the Insurance Department of the District of ____

By

Name of Registrant

On Behalf of Following Insurance Companies

Name Address

Date: ____, 20 ____

Name, Title, Address and telephone number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed: ____

Furnish a brief description of all items in the current annual registration statement which represent changes from the prior year's annual registration statement. The description shall be in a manner as to permit the proper evaluation thereof by the Commissioner, and shall include specific references to Item numbers in the annual registration statement and to the terms contained therein.

Changes occurring under Item 2 of Form B insofar as changes in the percentage of each class of voting securities held by each affiliate is concerned, need only be included where such changes are ones which result in ownership or holdings of 10 percent or more of voting securities, loss or transfer of control, or acquisition or loss of partnership interest.

Changes occurring under Item 4 of Form B need only be included where: an individual is, for the first time, made a director or executive officer of the ultimate controlling person; a director or executive officer terminates his or her responsibilities with the ultimate controlling person; or in the event an individual is named president of the ultimate controlling person.

If a transaction disclosed on the prior year's annual registration statement has been changed, the nature of such change shall be included. If a transaction disclosed on the prior year's annual registration statement has been effectuated, furnish the mode of completion and any flow of funds between affiliates resulting from the transaction.

The insurer shall furnish a statement that transactions entered into since the filing of the prior year's annual registration statement are not part of a plan or series of like transactions whose purpose it is to avoid statutory threshold amounts and the review that might otherwise occur.

SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 6 of the Act, the Registrant has caused this summary of registration statement to be duly signed on its behalf in the City of ___ on the ___ day of ___, 20 ___.

(SEAL) ___

Name of Registrant

By ___

(Name) (Title)

Attest:

(Signature of Officer)

(Title)

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached summary of registration statement dated ___, 20 ___, for and on behalf of ___ (Name of Company); that (s)he is the ___ (Title of Officer) of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) ___

(Type or print name beneath) ___

3798.4 FORM D

PRIOR NOTICE OF A TRANSACTION

Filed with the Insurance Department of ___

By

Name of Registrant

On Behalf of Following Insurance Companies

Name Address

Date: ___, 20 ___

Name, Title, Address and telephone number of Individual to Whom Notices and Correspondence Concerning This Statement Should Be Addressed: ___

ITEM 1. IDENTITY OF PARTIES TO TRANSACTION

Furnish the following information for each of the parties to the transaction:

(a) Name.

- (b) Home office address,
- (c) Principal executive office address.
- (d) The organizational structure, i.e. corporation, partnership, individual, trust, etc.
- (e) A description of the nature of the parties' business operations.
- (f) Relationship, if any, of other parties to the transaction to the insurer filing the notice, including any ownership or debtor/creditor interest by any other parties to the transaction in the insurer seeking approval, or by the insurer filing the notice in the affiliated parties.
- (g) Where the transaction is with a non-affiliate, the name(s) of the affiliate(s) which will receive, in whole or in substantial part, the proceeds of the transaction.

ITEM 2. DESCRIPTION OF THE TRANSACTION

Furnish the following information for each transaction for which notice is being given:

- (a) A statement as to whether notice is being given under Section 7(a)(2)(A), (B), (C), (D), or (E) of the Holding Company Act.
- (b) A statement of the nature of the transaction.
- (c) The proposed effective date of the transaction.

ITEM 3. SALES, PURCHASES, EXCHANGES, LOANS, EXTENSIONS OF CREDIT, GUARANTEES OR INVESTMENTS

Furnish a brief description of the amount and source of funds, securities, property or other consideration for the sale, purchase, exchange, loan, extension of credit, guarantee, or investment, whether any provision exists for purchase by the insurer filing notice, by any party to the transaction, or by any affiliate of the insurer filing notice, by any party to the securities being received, if any, and a description of any other agreements relating to the transaction involves other than cash, furnish a description of the consideration, its cost and its fair market value, together with an explanation of the basis for evaluation.

If the transaction involves a loan, extension of credit or a guarantee, furnish a description of the maximum amount which the insurer will be obligated to make available under such loan, extension of credit or guarantee, the date on which the credit or guarantee will terminate, and any provisions for the accrual of or deferral of interest.

If the transaction involves an investment, guarantee or other arrangement, state the time period during which the investment, guarantee or other arrangement will remain in effect, together with any provisions for extensions or renewals such investments, guarantees or arrangements. Furnish a brief statement as to the effect of the transaction upon the insurer's surplus.

No notice need be given if the maximum amount which can at any time be outstanding or for which the insurer can be legally obligated under the loan, extension of credit or guarantee is less than, (a) in the case of non-life insurer's, the lesser of 3% of the insurer's admitted assets or 25% of surplus as regards policyholders or, (b) in case of life insurers, 3% of the insurer's admitted assets, each as of the 31st day of December next preceding.

ITEM 4. LOANS OR EXTENSIONS OF CREDIT TO A NON-AFFILIATE

If the transaction involves a loan or extension of credit any person who is not an affiliate, furnish a brief description of the agreement or understanding whereby the proceeds of the proposed transaction, in whole or in substantial part, are to be used to make loan or extensions of credit to, to purchase the assets of, or to make investment in, any affiliate of the insurer making such loans or extensions of credit, and specify in what manner the proceeds are to be used to loan to, extend credit to, purchase assets of or make investments in any affiliate. Describe the amount and source of funds, securities, property or other consideration for the loan or extension of credit and, if the transaction is one involving consideration other than cash, a description of its cost and its fair market value together with an explanation of the basis for evaluation. Furnish a brief statement as to the effect of the transaction upon the insurer's surplus.

No notice need be given if the loan or extension of credit is one which equals less than, in the case of non-life insurer's, the lesser of 3% of the insurer's admitted assets or 25% of surplus as regards policyholders or, with respect to life insurers, 3% of the insurer's admitted assets, each as of the 31st day of December next preceding.

ITEM 5. REINSURANCE

If the transaction is a reinsurance agreement or modification thereto, as describe by Section 7(a)(2)(C) of the Holding Company Act, furnish a description of the known and/or estimated amount of liability to be ceded and/or assumed in each calendar year, the period of time during which the agreement will be in effect, and a statement whether an agreement or understanding exists between the insurer and non-affiliate to the effect that any portion of the assets constituting the consideration for the agreement will be transferred to one or more of the insurer's affiliates. Furnish a brief description of the consideration involved in the transaction, and a brief statement as to the effect of the transaction upon the insurer's surplus.

No notice need be given for reinsurance agreements or modifications thereto if the reinsurance premium or a change in the insurer's liabilities in connection with the reinsurance agreement or modification thereto is less than 5% of the insurer's surplus as regards policyholders, as of the 31st day of December next preceding.

ITEM 6. MANAGEMENT AGREEMENTS, SERVICE AGREEMENTS COST-SHARING ARRANGEMENTS.

For management and service agreements, furnish:

- (a) a brief description of the managerial responsibilities, or services to be performed.

(b) a brief description of the agreement, including a statement of its duration, together with brief descriptions of the basis for compensation and the terms under which payment or compensation is to be made.

For cost-sharing arrangements, furnish:

- (a) a brief description of the purpose of the agreement.
- (b) a description of the period of time during which the agreement is to be in effect.
- (c) a brief description of each party's expenses or costs covered by the agreement.
- (d) a brief description of the accounting basis to be used in calculating each party's costs under the agreement.

ITEM 7. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of Section 7 of the Holding Company Act, ___ has caused this notice to be duly signed on its behalf in the City of ___ on the ___ day of ___, 20 ___.

(SEAL) ___

Name of Applicant

By ___

(Name) (Title)

Attest:

(Signature of Office)

(Title)

CERTIFICATION

The undersigned deposes and says that (s)he has duly executed the attached notice dated ___, 20 ___, for and on behalf of ___ (Name of Applicant); that (s)he is the ___ (Title of Officer) of such company and that (s)he is authorized to execute and file such instrument. Deponent further says that (s)he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his/her knowledge, information and belief.

(Signature) ___

(Type or print name beneath) ___

3799

DEFINITIONS

3799.1

The following words and phrases shall have the meaning ascribed in this section. Unless the context otherwise requires, other terms found in these regulations and in section 2 of the Holding Company Act are used as defined in the said section 2. Other nomenclature or terminology is according to Title 31 of D.C. Official Code or industry usage if not therein defined.

Commissioner means the Commissioner of the District of Columbia Department of Insurance, Securities, and Banking.

Executive officer means chief executive officer, chief operating officer, chief financial officer, treasurer, secretary, controller, and any other individual performing functions corresponding to those performed by the foregoing officers under whatever title.

Ultimate controlling person means that person which is not controlled by any other person.