



Department of Insurance, Securities and Banking DISB (SR)

MISSION

The mission of the Department of Insurance, Securities and Banking ("DISB" or "Department") is twofold: 1) protect consumers by providing equitable, thorough, efficient, and prompt regulatory supervision of the financial services companies, firms, and individuals operating in the District of Columbia, and 2) develop and improve market conditions to attract and retain financial services firms to the District of Columbia.

SUMMARY OF SERVICES

DISB regulates the following financial services entities: (1) insurance companies, insurance producers, health maintenance organizations, captive insurance companies and risk retention groups; (2) investment advisers, investment advisor representatives, broker-dealers, broker-dealer agents, securities offerings and issuers and agents of issuers and (3) District and state-chartered banks, mortgage lenders and brokers, mortgage loan originators, check cashers, money transmitters, consumer-sales-finance companies, money lenders, and consumer-credit-service organizations.

ACCOMPLISHMENTS

- ✓ **D.C. CHARTERED HEALTH PLAN** - The department put the financially troubled D.C. Chartered Health Plan Inc. in rehabilitation. A significant component of the rehabilitation was the sale of certain of Chartered's assets to a prestigious managed-care organization, Philadelphia's AmeriHealth, and the transfer to AmeriHealth of Chartered's members without disruption of health care to the city's neediest residents.

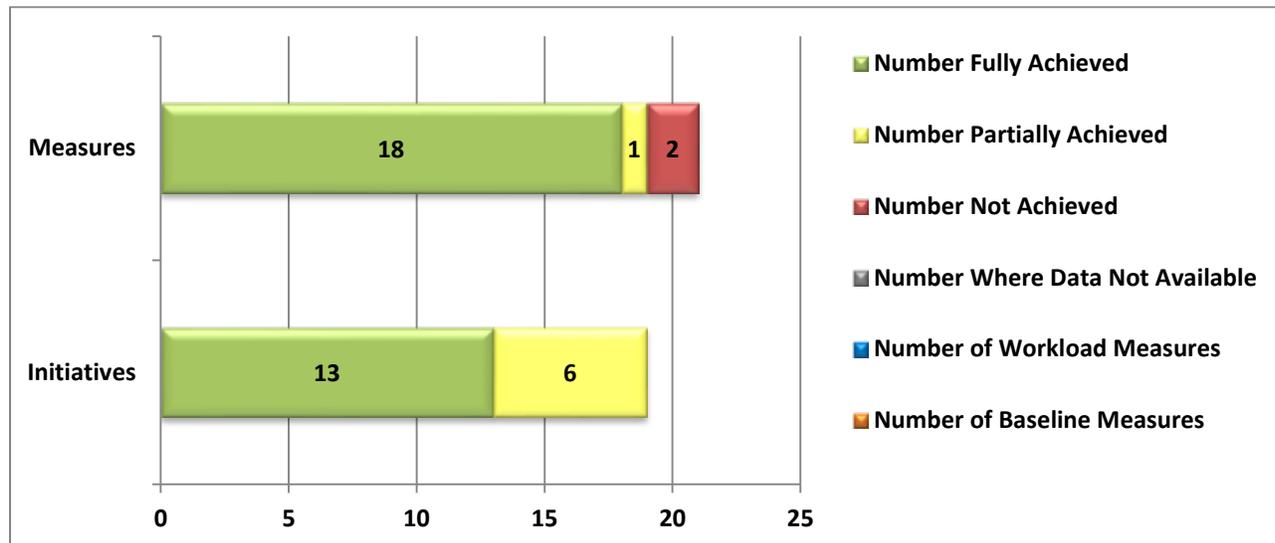
DC COLLATERAL SUPPORT PROGRAM - In FY2013, the department began to operate the first of its small business lending programs with the first tranche of the \$13.2 million allocation it received from the U.S. Treasury State Small Business Credit Initiative created by the Small Business Jobs Act of 2010. The Program pledges cash assets to plug gaps for small business borrowers that lack sufficient collateral resources to obtain much-needed financing. The recipients of these Program loans proposed to use loan funds for projects that create and retain jobs for District residents.

D.C. HEALTH-CARE EXCHANGE- The department was crucial to creating the District's health-care exchange, providing critical technical help. The exchange is now operating thanks to the department's collaboration with the exchange board, other city agencies and community groups.

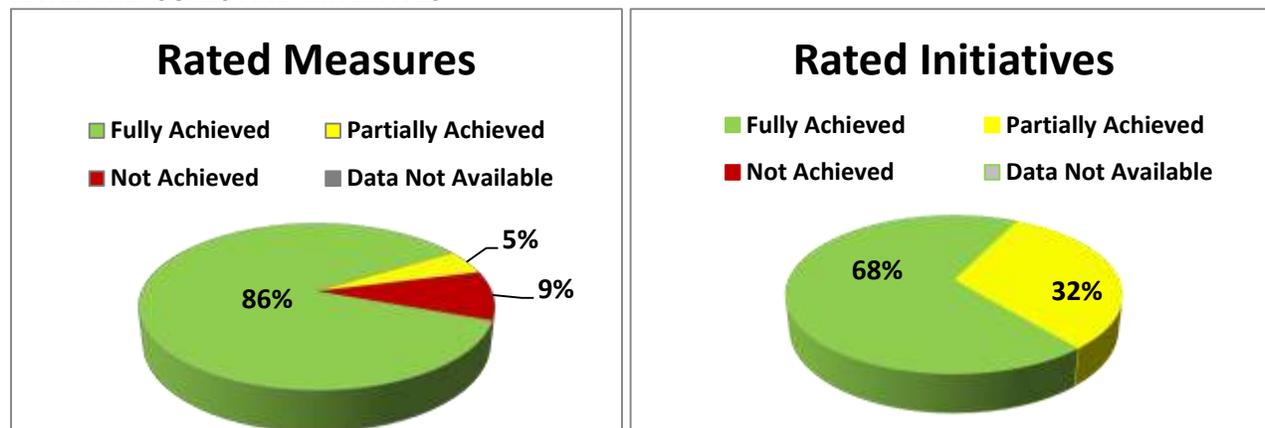


OVERVIEW AGENCY PERFORMANCE

TOTAL MEASURES AND INITIATIVES



RATED MEASURES AND INITIATIVES



Note: Workload and Baseline Measurements are not included

Default KPI Rating:	
$\geq 100\%$	Fully Achieved
75 - 99.99%	Partially Achieved
$< 75\%$	Not Achieved



Performance Initiatives – Assessment Details

Performance Assessment Key:

-  Fully achieved
  Partially achieved
  Not achieved
  Data not reported

Agency Management

OBJECTIVE 1: Develop subject matter expertise that can be utilized to educate and inform policy makers and market participants leading to a reputation as a desirable regulatory jurisdiction

INITIATIVE 1.1: Participate in industry sector national meetings, training and development sessions, and seminars to improve professional capabilities and increase knowledge of current and emerging market issues.

 **Fully achieved.** All DISB staff must, in order to develop and maintain subject matter expertise, participate in NAIC, NASAA, CSBS regular meetings and training opportunities. They must also participate in market sector committees and working groups.

INITIATIVE 1.2: Utilize online seminars and industry publications and research sources to develop Department databases and market analysis capabilities.

 **Fully achieved.** The compliance analysis staff has an ongoing responsibility to develop and analyze industry sectors to establish best practices standards and guidelines for design, delivery, and results monitoring of financial products and services.

OBJECTIVE 2: Provide strategic direction and support for operating bureaus and divisions to enhance consumer protection capabilities and increase economic development initiatives.

INITIATIVE 2.1: Engage in a comprehensive campaign to provide financial literacy to the residents of the District of Columbia.

 **Partially achieved.** DISB finished redesigning its website during the fiscal year, making it easier for consumers to find information on the home page, such as links to financial literacy events. We exceeded the number of community events with 50 events, or almost one a week, a few less than the previous year but reaching slightly more people, 1,785. We targeted the most vulnerable group – the elderly – and tailored our presentations to them. DISB created a YouTube channel for videos of our public events and for a profile of the agency that the communications office created with the city’s television shop. Residents can watch videos on where to report financial crime or to learn about financial topics from renters insurance to reverse mortgages. DISB exceeded 1,000 followers in May for the first time and now has 1,052, a 16% increase on the year. Our Twitter content and presence is more sophisticated than most state regulatory agencies. DISB began a bi-monthly DISB Download podcast series in audio. They include “Facing Foreclosure in D.C.? Consider Mediation with Your Lender (March);” “Flood v. Homeowners insurance - What Do You Need? (April);” “Health Insurance Explained (June);” “Insurance Checkup (July);” and “How Teens Can Avoid Identity Theft and Fraud (August).” From the home page of DISB’s website, residents can now click on “Request a Speaker” to get this page: <http://disb.dc.gov/node/319612>. The communications office hired consultants to train our experts in public speaking and making presentations. We published 11 columns since the beginning of the fiscal year, or about half as many as our goal, due to the demands of the Chartered Health receivership and the launch of the health-care exchange. We are requesting a full-time writer this year. We postponed the goal to publish at least one op ed on financial literacy to FY14 due to focus on other priorities of Chartered and the exchange stories played out.



●	<p>INITIATIVE 2.2: Conduct administrative hearings for insurance producers to improve the licensing process and regulate the distribution channels for consumers. Fully achieved. The Office of the General Counsel hired a hearing officer and the administrative hearings were conducted timely. The FY 2013 target was exceeded.</p>
<p>OBJECTIVE 3: Establish regulatory strategy based on understanding of integrated financial services developed through relationships with national, federal, int'l regulatory authorities to broaden sources of info.</p>	
●	<p>INITIATIVE 3.1: Identify common financial analysis factors and develop reporting structures across industry sectors. Fully achieved: The Market Examinations Director developed a draft report for the combined examination results for the market sectors, including insurance, securities, banking and risk finance early in the year. Reports are submitted on a monthly and quarterly basis. The reports highlight emerging issues, accomplishments and market and regulatory concerns.</p>
●	<p>INITIATIVE 3.2: Participate in NAIC, NASAA, and CSBS committees and working groups for domestic and international regulatory matters. Fully achieved The commissioner and agency staff participated in numerous NAIC, CSBS, and NASAA committees and during FY13 working groups. DISB formed working relations with all three market sectors and gained subject matter expertise in all areas. All associated KPI measures for this initiative were exceeded.</p>
<p>Banking Bureau</p>	
<p>OBJECTIVE 1: Improve consumer confidence</p>	
●	<p>INITIATIVE 1.1: Establish a regulatory process to improve the Foreclosure Mediation Program. Fully achieved. The Foreclosure Mediation Program continues to assist homeowners of the District by providing a structured supervised forum where homeowners and their lenders meet and discuss alternatives to foreclosure within the rules and regulations set forth by the “Saving DC Homes from Foreclosure Act”. The District’s mediation program boasts a very high success rate for homeowners who elect and attend mediation. In more than 70% of the mediations, the parties agree to loan modifications, repayment plans, or reinstatement plans which allow the homeowner to stay in their homes. In some cases the homeowners are unable to afford a reduced payment or do not want to keep the property and in these cases agreements have been made which include short sales, and deed-in-lieu of foreclosure. Although in the aforementioned cases the homeowners are unable to retain their home they are able to make a graceful exit on their own terms. The trained mediators continue to provide a great level of service to all parties and work closely with DISB throughout the mediation process. The Foreclosure Mediation Program still utilizes CaseAware as the primary software source that allows the input and tracking of all Notice of Defaults received and mediations that take place. The software provides real time data and triggers actions that follow the current timelines set by law and in rulemaking. This allows all mediations to be held and completed within the 90 day time period unless a 30 day extension is agreed upon by all parties. The mediation administrator provides updated reports on a weekly and monthly basis which shows trends and success rates in the mediation program.</p>



	<p>INITIATIVE 1.2: Update procedures for non-depository examinations under the Dodd Frank Act and develop new procedures for joint examinations with the Consumer Financial Protection Bureau (CFPB).</p> <p>Partially achieved. The Banking Bureau’s Examinations Division is in the process of reviewing and assessing the CFPB’s Supervision and Examination Manual and the CSBS Multi-State Examination Manual to determine consistent examination procedures that will be functional and effective for the Banking Bureau given staff experience and the resources available. Warren Hochbaum and Samuel Fuller are combining the aspects of the CFPB Manual and the CSBS Manual, while incorporating D.C. specific laws into the examination process. In FY13, the Banking Bureau submitted a draft of the updated examination procedures to the Office of the General Counsel to ensure that they include all federal and D.C. legal requirements. However, due to limited staff available during FY13, this initiative was only partially achieved.</p>
	<p>INITIATIVE 1.3: Increase Banking Bureau participation in multi-state examinations, particularly as they relate to mortgage lenders and servicers.</p> <p>Fully achieved. In FY13, the Banking Bureau completed a multistate examination of Amerisave Mortgage Corporation, which was headed by Washington State and overseen by the MMC. AMC is a residential mortgage lender headquartered in Atlanta, GA and licensed in all 50 states and the District of Columbia. As a result of the examination, unsubstantiated suspicions were uncovered that unlicensed loan origination and unlicensed branch activity were occurring at AMC. A follow-up investigation led by the Pennsylvania Department of Banking, with the cooperation of AMC, secured evidence that 164 individuals throughout the country at unlicensed locations were employed by AMC as Senior Mortgage Processors. AMC agreed to a negotiated settlement (“Settlement Agreement”) of the outstanding issues that were uncovered during the multi-state examination and as a result of the post-examination investigation. AMC has agreed to make an aggregate settlement payment to the states in the amount of \$2,250,000. The fine allocated to each State reflects the number of loans on the loan log that are attributed to each state. Accordingly, the District of Columbia is scheduled to receive \$14,996.75. In FY13, the Banking Bureau also began participation in 5 other multi-state mortgage examinations which are still ongoing: These examinations are in various stages of the examination process. The American Advisors Group and One Reverse Mortgage are both in the in the early stages of the examination process. The report of examination has been issued in the Gateway Funding examination and the company’s response is under review by the MMC. The Movement Mortgage report of examination is under review by the MMC before being issued to the company. For the Wyndham Capital examination, the loan review is complete and the findings have been submitted to the examiner-in-charge to draft the report of examination.</p>
<p>OBJECTIVE 2: Implement the State Small Business Credit Initiative in the District of Columbia and refocus the Certified Capital Companies Program (CAPCO) to align support for a broader spectrum of businesses</p>	
	<p>INITIATIVE 2.1: Revise the emphasis of the program from capital access to collateral support.</p> <p>Partially achieved. In FY13, the Risk Finance and Banking Bureaus met internally and with the CAPCO industry, and representatives of DM Hoskins office to discuss changes to the CAPCO program that would better align it with the District’s efforts to provide small businesses with access to capital. The meetings were productive and draft legislation was prepared to accomplish the changes. The legislation was never introduced, however, due to other legislation that had a higher priority. DISB will continue to work to get this legislation introduced and enacted in FY14. The FY13 KPI for the CAPCO program measured a percentage of CAPCOs examined during the fiscal year. This KPI was fully achieved. DISB revised the CAPCO KPI for FY14 to measure the percentage of remaining CAPCO funds invested in Qualified Businesses because this is a better measure of the success of the CAPCO</p>



program. Fully Achieved (100%) In FY13, DISB implemented the SSBCI program based on revisions aimed at providing collateral support to back loans to small businesses. Under the collateral support program DISB provides a pledged asset (Cash Collateral Account) to an enrolled lender in order to enhance the collateral coverage of a small business borrower that is otherwise qualified but unable to meet the lender's collateral security requirements. The goal of DISB is to leverage SSBCI funds to create at least ten dollars in private credit for every dollar committed by the program. To date, the DISB has successfully enrolled a total of four loans and lines of credit totaling \$4,635,000

Compliance and Analysis Division

OBJECTIVE 1: Enhance Consumer Protection

INITIATIVE 1.1: Develop research and analysis of industry sectors to establish "best practices" standards and guidelines for design, delivery, and results monitoring of financial products and services

Partially achieved. The KPI objectives associated with this initiative included closing 95% of complaints within 45 days and we fully achieved this aspect of the initiative with a 2013 overall KPI of 98.1%. However, securities complaints were problematic since we underestimated their complexity and the length of time it takes to investigate and resolve them. Additionally, the volume of securities complaints does not support a true measure. We will adjust target going forward. FY2013 was the Compliance Analysis Division's first year of operations with new staff, new expectations and a new mission. The staff analyzed over 20 current and emerging issues from all three industry sectors, drafted suggested amendments to regulations based on research of laws and regulations in other jurisdictions and presented an overview of that analysis to the bureau heads during 2013. By analyzing these issues, the Analysts have expanded their body of knowledge and have begun to develop work product consistent with our mission. The analyst staff and the consumer services staff collaborated and identified unfair business practices issues in each industry sector that do not represent "best practices". Each analyst will have specific "best practices" goals for 2014. Analysts collaborated with the Bureaus on a variety of issues including lender placed insurance, internet payday loans from unlicensed lenders, revisions to fines to name a few. Going forward, the Division will continue to analyze issues and collaborate with the bureaus and the Department of Communications on those issues. Additionally we will review complaint ratios for analysis, licensee complaint handling procedures for response to consumer concerns and internal company policies regarding the handling of consumer complaints.

Enforcement and consumer Protection Division

OBJECTIVE 1: Improve the DISB insurance, securities and banking antifraud program.

INITIATIVE 1.1: Improve investigations of financial services regulatory & criminal violations by collaborating w/ fed law enforcement & nonprofit antifraud organizations to protect DC citizens from financial frauds

Fully achieved. The Investigation Branch took advantage of its strong, professional relationships with the Metropolitan Police Department, the D.C. OAG, the U.S. Attorney's Office, and several other federal law enforcement agencies, such as the FBI, The U.S. Postal Inspection Service, the Secret Service, DCRA, the SEC, Health and Human Services-Office of the Inspector General, the FTC, the Consumer Financial Protection Board, D.C Human Resources and the State of Maryland. This inter-agency cooperation lead to several successful criminal prosecutions of investigations in which DISB participated in FY 2013, which resulted in restitution and forfeitures totaling \$6,475,830.10 and \$3064.00 in recoveries. Other penalties ordered by the criminal courts included incarcerations and fines. Additional investigations that were on-going in FY 2013 related to mortgage fraud schemes, two



of which are were being heard by a federal grand jury, seven insurance fraud related cases were pending prosecution by the U.S. Attorney's Office, two of which involved crimes committed by insurance agents. These two investigative actions directly impacted the personal finances of D.C. residents. The National Insurance Crime Bureau sponsored Healthcare fraud Task Force, the U.S. Department of Justice Bank Fraud Working Group and Out Reach Programs, were just a few of the entities instrumental in the success of the branch's actions. Also in FY 2013, collaboration with the local representatives of the new D.C. health exchange resulted in establishing protocols to promptly address issues of deception and fraud in regards to the on-line health insurance market place in D.C. prior to its rollout on October 1, 2013. Working with the SEC, the FTC and the CSPB, the Investigation Branch addressed one case of unlicensed/unregistered investment advisor activities, two cases of unlicensed/unregistered investment activities, and one case of unlicensed lending activities.

OBJECTIVE 2: Protect DC Residents

INITIATIVE 2.1: Improve the current insurance producer (agent) investigation and enforcement referral program

Fully achieved. In FY 2013. The Enforcement and Compliance Branch statistics that follow reflect the success of this initiative. The producer (insurance agent) enforcement section ensured that the NAIC producer enforcement systems were fully utilized. In FY 2013, there was a grand total of 269 newly opened enforcement cases, with investigation tracking in SBS showing an average completion time to be within 40-45 days. This initiative exceeded the quarterly key performance indicator goal, i.e., all investigations were completed within the mandated 60-day. The compliance section improved its utilization of all background search resources and database systems. In FY 2013, 508 background searches were conducted, using various search engines. Compared to 229 in FY 2012, there was a 122% increase. In additional, the background search log was enhanced to fully document user and usage. The branch established and developed new formal partnerships with Virginia and Maryland regulatory offices dealing with insurance agent enforcement. Although the planned enforcement meeting with Virginia and Maryland Insurance Departments Producer Enforcement Units did not occur, the branch was in consistent contact with each state regarding their activities. The branch continued to communicate with the Centers for Medicare and Medicaid Services (CMS); however, no complaints were received during FY 2013.. The improved producer investigation program will ensure D.C. resident and nonresident insurance producers that have violated regulatory statutes are expeditiously investigated to preclude them from defrauding D.C. citizens.

Insurance Bureau

OBJECTIVE 1: Increase the affordability and availability of health insurance coverage

INITIATIVE 1.1: Implement components of the Federal Health Care Reform Law in the District and utilize federal resources made available through the law

Fully achieved, although as discussed above, implementation of the Federal Health Care Reform Law continues to be a high priority task. In FY13, DISB assisted in the development and implementation of DC Health Link specifically by serving as members of various committees involved with its implementation. We also reviewed and approved the rates and forms that are being sold on DC Health Link and our process resulted in three of the four companies operating in our market lowering their rates from the initial filings (one company made two reductions). DISB also developed and implemented a procedure to approve licensed producers to sell products on DC Health Link and provided assistance in developing a financial sustainability model. DISB has used money from the federal rate review grant to identify changes in DC laws that have been developed into legislation and has engaged consultants to develop methods to strengthen our rate review process.



OBJECTIVE 2: Increase the amount of consumer insurance information available on the DISB web site.

INITIATIVE 2.1: Increase the amount of information about rate and form filings directly available on the DISB Website

Partially completed. A major component of this project is to allow direct access to form and rate filings through our web site, since this is a major source of FOIA requests. Much work has been completed on this project, but it has proven more difficult than originally anticipated. We have to have access established by the end of calendar 2013. In addition new and updated information has been made available on our web site about the premiums for plans to be sold on DC Health Link and title insurance. We also continue to work on the project to provide information on registered agents for all insurance companies licensed in DC directly on our web site. We have established a method to collect updated information from the insurers about their registered agent and now are working to make that information publicly available.

OBJECTIVE 3: Strengthen the regulation of title insurance in the District of Columbia.

INITIATIVE 3.1: Strengthen the regulation of title insurance in the District of Columbia.

Partially achieved. DISB engaged a consultant to conduct a Market Conduct examination of the title insurance rate filings to provide guidance on whether the rates are excessive, inadequate or unfairly discriminatory. The start of the review has been delayed as one of the title insurers has raised objections that are being dealt with prior to the implementation of the process. Also as discussed above, the title insurance rates have been provided on our web site to allow consumers to identify the relative costs of the various companies.

Market Examination Divisions

OBJECTIVE 1: Enhance Consumer Protection

INITIATIVE 1.1: 1.1: Protect consumers through ensuring compliance with Insurance, Securities, and Banking laws, rules, and regulations, including the federal Dodd-Frank Act.

Fully achieved. Due to lack of resources and increase in the number of examinations required as a result of additional Investment Advisor firms brought under DISB regulatory authority as a result of Dodd-Frank enactment. Existing examination staff had to redouble their efforts to complete 12 examinations by year end.

Risk Finance Bureau

OBJECTIVE 1: Ensure the solvency of captive insurers domiciled in the District.

INITIATIVE 1.1: Evaluate and complete examinations on captive insurance companies domiciled in the District of Columbia

Fully achieved, in FY13. We planned to complete the financial examinations of five captive insurance companies in FY13, and all of five of the examinations were completed as planned. The FY13 KPIs for the Captive Insurance program were (1) the percentage of captive insurance company applications processed within 30 days of receipt; and (2) the percentage of captive insurance financial examinations completed. The KPI results were 100% for both measures.



Securities Bureau

OBJECTIVE 1: Improve consumer confidence

INITIATIVE 1.1: Engage in a comprehensive campaign to provide financial literacy and increase the amount of information available for DC residents through outreach programs.

- **Fully achieved.** In addition to the 250 participants in the initial session, an additional 289 individuals participated in the program in the second session that ended September 6, 2013. . Outreach events by quarter were as follows: Q1 – 5 events; Q2 – 3 events; Q3 – 9 events; Q4 – 9 events. Also, on November 2, 2012, Associate Commissioner Miles participated in the Metro Washington Financial Planning Day, sponsored by the Financial Planning Association, and on May 10, 2013, he participated in the Mayor’s Senior Symposium, the “Age-Friendly City.”



Key Performance Indicators – Details

Performance Assessment Key:

● Fully achieved
 ● Partially achieved
 ● Not achieved
 ● Data not reported
 ● Workload Measure

	KPI	Measure Name	FY 2012 YE Actual	FY 2013 YE Target	FY 2013 YE Revised Target	FY 2013 YE Actual	FY 2013 YE Rating	Budget Program
Agency Management								
	3.1	% of grant budget spent on administrative costs for SSBCI.	3%	3%		100%	105.26%	AGENCY MANAGE- MENT PROGRAM
	3.2	# of initiatives to increase financial services activities	3	3		3	100%	AGENCY MANAGE- MENT PROGRAM
	3.3	Change in amount of gross revenue from all sources (3% annual increase).	\$124,388,847	\$114,654,388		\$120,089,173.39	104.74%	AGENCY MANAGE- MENT PROGRAM
	3.4	# of consumers receiving financial literacy training and consumer protection information	588	600		2,317	386.17%	AGENCY MANAGE- MENT PROGRAM
	3.5	# of Insurance Producer administrative hearings completed and proposed final orders issued within 60 days	18	20		21	105%	AGENCY MANAGE- MENT PROGRAM
Banking								
	1.1	% of foreclosure mediations completed within the time required by the Saving DC Homes from Foreclosure Act of 2010 and its implementing rules.	49%	95%		100%	105.26%	BANKING



	KPI	Measure Name	FY 2012 YE Actual	FY 2013 YE Target	FY 2013 YE Revised Target	FY 2013 YE Actual	FY 2013 YE Rating	Budget Program
●	2.1	% of the first tranche of SSBCI dollars disbursed.	0	80%		13.89%	17%	BANKING
●	2.2	% of CAPCOs examined within fiscal year.	0	100%		100%	100%	BANKING
Compliance Analysis								
●	1.1	% of written Insurance complaints resolved within 45 days of receipt.	99%	95%		98.16%	103.32%	COMPLI- ANCE ANALYSIS
●	1.2	% of written Banking complaints resolved within 45 days of receipt.	0	100%		100%	100%	COMPLI- ANCE ANALYSIS
●	1.3	% of written Securities complaints resolved within 60 days of receipt.	0	80%		33.33%	41.67%	COMPLI- ANCE ANALYSIS
Enforcement								
●	2.1	% of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures.	0	90%		100%	111.11%	ENFORCE- MENT PROGRAM
●	2.2	% of insurance producer enforcement investigations completed within 60 days.	0	85%		100%	117.65%	ENFORCE- MENT PROGRAM



	KPI	Measure Name	FY 2012 YE Actual	FY 2013 YE Target	FY 2013 YE Revised Target	FY 2013 YE Actual	FY 2013 YE Rating	Budget Program
Insurance								
●	3.1	% of rate filings approved, accepted or rejected within 30 days of receipt.	96.61%	95%		89.25%	93.95%	INSURANCE PROGRAM
●	3.2	% of form filings approved accepted or rejected within 30 days of receipt.	96.61%	95%		99.74%	104.99%	INSURANCE PROGRAM
Market Examinations								
●	1.1	% of DC based investment firms examined for compliance within 12 months	0	85%		100%	111.11%	MARKET EXAMINATIONS
●	1.2	% of Non-depository financial institutions examined	0	85%		100%	117.65%	MARKET EXAMINATIONS
	1.3	% of domestic insurance companies financial analysis completed	0	85%		100%	117.65%	MARKET EXAMINATIONS
Risk Finance								
●	1.1	% of Captive Insurance Company applications processed within 30 days of receipt.	100%	100%		100%	100%	RISK FINANCE
●	1.2	% of financial examinations completed on Captive Insurance Companies.	100%	100%		100%	100%	RISK FINANCE



	KPI	Measure Name	FY 2012 YE Actual	FY 2013 YE Target	FY 2013 YE Revised Target	FY 2013 YE Actual	FY 2013 YE Rating	Budget Program
Securities								
●	1.1	% of Broker-dealer and investment advisor firm licenses processed within 30 days of receipt.	68.68%	85%		99.47%	117.02%	SECURITIES PROGRAM
●	1.2	% of securities notice filings processed with 30 days	68.68%	85%		98.91%	116.36%	SECURITIES PROGRAM