



FY09 PERFORMANCE PLAN
Department of Insurance, Securities and Banking

MISSION

The mission of the Department of Insurance, Securities, and Banking (DISB) is to provide fair, efficient, and fast regulatory supervision of the financial services activities for the protection of the people of the District of Columbia and to create conditions that will attract and retain insurance and financial services firms to the District of Columbia.

SUMMARY OF SERVICES

DISB regulates the following financial service entities: (1) insurance companies, insurance producers, health maintenance organizations, captive insurance companies and risk retention groups; (2) investment advisers, broker-dealers, securities issuers and agents of issuers and (3) District and state-chartered banks, mortgage lenders and brokers, check cashers, money transmitters, consumer-sales-finance companies, money lenders, and consumer-credit-service organizations. DISB provides consumer protection and education services to District residents with respect to the financial services provided in the District.

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

INITIATIVE 1.1: Develop a regulatory plan for small group health insurance products that will increase D.C residents' access to health insurance.

The DC laws regulating health insurance products marketed and sold by insurance companies are silent concerning group insurance except for references in some of the mandates. We believe the establishment of small group health standards will make these products more affordable to DC consumers. Currently, there is no specific requirement for health insurance companies to have their small group health products and the accompanying rates reviewed or approved. This has the potential to leave DC residents and others, who work for DC small employers and associations, vulnerable relative both to policy provisions and rate increases. The new regulatory plan will provide consumer protections for small group health plans and association group health plans related to policy provisions and rates that are similar to those provided to individual health insurance policies. DISB will work with consumer groups and the industry to develop this regulatory plan by February 2009. DISB will also draft legislation that will include requirements on policy form language, establish premium rate bands restricting the amount of increased premium a company can charge, as well as allow qualified staff or consultants, who negotiate with the insurer strictly on behalf of the group and receive no compensation from the insurer to negotiate benefits, provisions and rates appropriate for the group. There are no additional costs associated with this initiative for FY 2009.

INITIATIVE 1.2: Install a regulatory plan for approving medical malpractice insurance premium rates that will quantify the additional premiums charged to physicians.

The cost of medical malpractice insurance premiums is one of the largest expenses to many physicians. Some physicians have discontinued providing health services in the District of Columbia because of their insurance costs. In FY 2008, the District of Columbia Council enacted a statute that requires insurance companies to have all medical malpractice premium rate increases approved by DISB before implementation by the company. DISB will be required to conduct administrative hearings on all premium rate increase requests over 10 percent. By December 2008, DISB will promulgate rulemaking and develop procedures to conduct these hearings, make all rate information publicly available and post all final rate charges on the DISB website.



By March 2009, DISB will develop a bulletin that will provide a format for hospitals, located in the District of Columbia, to provide information on medical negligence claims. This information will be filed with the Department of Health for review and analysis. There are no additional costs associated with this initiative for FY 2009.

OBJECTIVE 2: Reduce insurance, securities and banking fraud through prevention, detection and enforcement.

INITIATIVE 2.1: Upgrade the current agent enforcement process for resident and non resident insurance producers and brokers accused of violations.

In FY 2008, DISB created an insurance regulatory program to enforce regulations pertaining to resident and non-resident insurance agents and brokers. In FY 2009, the goal is to upgrade this program by instituting improvements in the workflow and adjudication process. Additionally, the database system used for tracking the cases will be improved to be more efficient and provide better tracking of actions. By March 2009, DISB will streamline the process of collecting out of state regulatory documents. A program to improve the adjudication of cases that have criminal and civil violations will be developed to ensure that parallel proceeding guidelines are met. A more robust public disclosure to media of regulatory actions will be instituted by June 2009. The primary reasons for this initiative are to protect the citizens of the District of Columbia from unscrupulous insurance agents and brokers. DISB anticipates at least 30 resident and nonresident licenses will be processed through the regulatory enforcement review process during FY 2009. There are no additional costs associated with this initiative for FY 2009.

INITIATIVE 2.2 Improve investigations of District and Federal financial services criminal law violations by collaborating with federal law enforcement and nonprofit antifraud organizations to protect DC citizens from financial frauds.

Insurance, securities and banking frauds and scams continue to cause DC residents to pay out of their pockets by loss of income and higher insurance rates. By January 2009, the DISB Enforcement and Investigation Bureau will establish stronger formal partnerships with MPD and federal enforcement agencies in order to maximize inter-agency cooperation in the fight against financial services fraud particularly fraud connected with properties in DC. By March 2009, DISB will leverage investigative resources by participating with local MPD and federal law enforcement agencies such as the USAO, FBI, IRS, and USPI. The focus of these partnerships will be to identify, investigate and prosecute financial fraud perpetrated in the Washington Metropolitan area. The current and new FY 2009 partnerships will assist DISB to identify fraud trends in the District and provide our investigators with information, the latest investigative techniques, and ability to leverage MPD and federal law enforcement resources into DISB cases. In FY 2009, DISB will collaborate with the US Coalition against Insurance Fraud for DC orientated antifraud outreach program materials and also with the National Insurance Crime Bureau (NICB) in an initiative to form a DC Insurance Fraud Taskforce. NICB will be hiring two new FTEs by March 2009 with the mission to support DISB investigators in this initiative. In FY 2009, DISB will sponsor an annual “Financial Fraud Awareness Week” with a focus on protecting DC citizens. There are no additional costs associated with this initiative for FY 2009.

OBJECTIVE 3: Improve consumer confidence in, and increase the availability of, financial services to District residents.



INITIATIVE 3.1: Implement a regulatory process for the amended Mortgage Lenders and Brokers Process.

In FY 2008, DISB drafted a bill that, if enacted, would allow the District of Columbia to participate in the National Mortgage Licensing System (NMLS) sponsored by the Conference of State Bank Supervisors (CSBS). This system will provide for a national residential mortgage industry registry designed to increase uniformity throughout the nation's state and federal mortgage industry regulators, reduce regulatory burden, enhance consumer protection and reduce fraud. If this bill is not enacted, the licensing of mortgage lenders and brokers that operate in the District of Columbia and the approximately \$1 million in fees will be preempted by federal law. With the establishment of this national mortgage licensing system, DISB will develop a new licensing category for mortgage loan originators by January 2009. Although there are no additional costs associated with this initiative for FY 2009, it is estimated that this initiative will provide additional licensing fees of approximately \$500K.

INITIATIVE 3.2: Increase the amount of information directly available to DC residents from the DISB web site.

DISB will undertake a review of the information that is regularly requested and work to provide direct access to that information on www.disb.dc.gov. By February 2009, DISB will include information on approved insurance policy form filings and rate filings, listing of insurance companies doing business in DC, and listing of agents of service of process. DISB is also researching the best way to allow DC residents to request a search for in force life insurance policies on deceased relatives. By April 2009, DISB will implement a process to review and update the "Frequently Asked Questions" section of the website to keep it up to date. There are no additional costs associated with this initiative for FY 2009.

INITIATIVE 3.3: Perform comprehensive compliance audits of the Certified Capital Companies operating in the District.

DISB regulates three Certified Capital Companies (CAPCOs) operating in the District. The CAPCOs received a total of \$50 million from several insurance companies, which funded the CAPCOs in return for premium tax credits to be applied to their premium tax obligations due to the District Government. The CAPCOs are required to invest at least 50% of those funds, within a five-year period, in District-based businesses to promote economic development in the city. These businesses must meet the following criteria to be eligible to receive funding from the CAPCOs: (1) the business must be headquartered and have its principal operations in the District; (2) the funding received by the business must be used to support its operations in the District; (3) at least 25% of its employees must be residents of the District; (4) at least 75% of its employees must work in the District; and (5) the business must be a "small business" as defined by the U.S. Small Business Administration. By March 2009, DISB will perform comprehensive compliance audits of the CAPCOs, and will prepare written audits reports describing the findings. There are no additional costs associated with this initiative for FY 2009



PROPOSED KEY PERFORMANCE INDICATORS

Measure	FY07 Actual	FY08 Target	FY08 YE Actual	FY09 Projection	FY10 Projection	FY11 Projection
Objective 1						
# of residents insured by high risk health insurance pool	N/A	250	1245	500	750	1000
# of Medical Malpractice Insurance premium rates filings (over 10% increases) reviewed.	N/A	N/A	N/A	0	0	0
Objective 2						
% of written Insurance complaints resolved within 45 days of receipt	N/A	N/A	N/A	80%	85%	90%
% of written Banking complaints resolved within 45 days of receipt	N/A	N/A	N/A	80%	85%	90%
% of agent enforcement referrals investigated and referred to OLA or Insurance Bureau within 90days	N/A	80%	90%	80%	80%	80%
% of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures	N/A	80%	100%	80%	80%	80%
# of administrative hearings conducted on producer licenses.	N/A	N/A	N/A	10	15	18
Objective 3						
% of CAPCO businesses examined annually	N/A	N/A	N/A	100%	100%	100%
% of D.C. based investment firms examined within 12 months	23.4%	30%	29%	15%	20%	25%
# of customers receiving financial literacy training	N/A	400	702	500	600	700
% of mortgage foreclosure mitigation program participants that avoid foreclosure	N/A	75%	85%	80%	85%	90%