



FY 2010 PERFORMANCE PLAN
Department of Insurance, Securities and Banking

MISSION

The mission of the Department of Insurance, Securities, and Banking (DISB) is two fold: 1) to provide thorough, efficient, and prompt regulatory supervision of the financial services operating in the District of Columbia for the protection of the residents in the District of Columbia and 2) to create conditions that will 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, broker-dealers, securities 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.

PERFORMANCE PLAN OVERVIEW

DISB provides consumer protection and education services to District residents with respect to the financial services provided in the District. Throughout the FY 2010 Performance Plan specific objectives are shared by more than one bureau; however, the initiatives are distinctive. In addition, administrative oversight and support from the Office of the Commissioner (Director) is the platform of support for all bureaus. The common objectives reflect the centralized mission to work as a team to advocate for the residents in the District of Columbia.

PERFORMANCE PLAN BUREAUS

- Office of the Commissioner (Director)
- Insurance Bureau
- Banking Bureau
- Securities Bureau
- Enforcement and Investigation Bureau
- Risk Finance Bureau

AGENCY WORKLOAD MEASURE

Measure	FY08 Actual	FY09 YTD
# of residents without health insurance ¹	56,000	

¹ This figure is provided by the Kaiser Family Foundation which compiles data received from the U.S. Census Bureau.



Office of the Commissioner

SUMMARY OF SERVICES

The Office of the Commissioner is responsible for the overall leadership, management, and administration of the Department of Insurance Securities and Banking’s (DISB) financial and personnel resources. Critical objectives include the development and implementation of policies, programs and plans that uphold the laws of the District of Columbia and ensure efficient and effective regulation of the financial industry. In addition, DISB’s goal is to provide maximum information and protection to the customers and consumers of all financial services operating in the District of Columbia.

OBJECTIVE 1: Support Agency Bureaus Through Effective Management.

INITIATIVE 1.1: Coordinate Agency services through the Consumer Protection and Advocacy Task Force (CP&A Task Force) .

In 2009, DISB established the CP&A Task Force which serves as a strategic cross-section of DISB staff members working to implement the goals of DISB’s comprehensive consumer protection program. The CP&A Task Force will work to meet the changing needs of the District’s communities by soliciting and evaluating information concerning various types of consumer-related issues; providing analysis, research and investigation of consumer/industry related issues, develop supportive mechanisms and publications that address consumer concerns. In FY 2010 through FY 2011, DISB will continue to serve as a major conduit for financial-services industry issues and policy matters affecting the residents of the District of Columbia.

STANDARD CITYWIDE OPERATIONAL MEASURES

Measure	FY09 YTD
Contracts	
KPI: % of sole-source contracts	
KPI: Average time from requisition to purchase order for small (under \$100K) purchases	
KPI: # of ratifications	
KPI: % of invoices processed in 30 days or less	
Customer Service	
KPI: OUC customer service score	
Finance	
KPI: Variance between agency budget estimate and actual spending	
KPI: Overtime as percent of salary pay	
KPI: Travel/Conference spending per employee	



KPI: Operating expenditures "per capita" (adjusted: per client, per resident)	
People	
KPI: Ratio of non-supervisory staff to supervisory staff	
KPI: Vacancy Rate Total for Agency	
KPI: Admin leave and sick leave hours as percent of total hours worked	
KPI: Employee turnover rate	
KPI: % of workforce eligible to retire or will be within 2 years	
KPI: Average evaluation score for staff	
KPI: Operational support employees are percent of total employees	
Property	
KPI: Square feet of office space occupied per employee	
Risk	
KPI: # of worker comp and disability claims per 100 employees	



Insurance Bureau

SUMMARY OF SERVICES

The Insurance Bureau monitors the financial solvency of insurance companies operating in the District of Columbia (DC). In addition, the Insurance Bureau issues licenses to insurance companies, insurance producers and related entities, resolves consumers complaints, approves rates and policy forms of insurance products marketed in the District, and monitors underwriting, policy holder services, claims, marketing, producer licensing and the complaint handling processes of licensed insurers.

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. The establishment of small group health standards should make these products more affordable to DC consumers. DISB has developed a multi-phase approach to address the issues related to small group health insurance. Phase I expands the regulatory scope of the Department to cover both employer-based group insurance and other group health plans, updates required provisions in health insurance policies for all plans, and adds new provisions to provide additional consumer protections. Phase I also requires changes to the DC Code which were drafted during FY 2009. In FY 2010, DISB will create a healthcare advisory group, composed of District residents, to help with this initiative. The advisory group will consist of qualified staff, residential consumers, and healthcare consultants who negotiate with the insurer strictly on behalf of the group and will receive no compensation from the insurer to negotiate benefits, coverage provisions and rates perceived to be appropriate for the demographics of District residents. Phase II (FY 2010 and FY 2011) will address the DC healthcare mandates and make the language of the mandates consistent and easier to understand. Mandates have been introduced over many years and the language has evolved as health insurance products and the entities that provide them have also changed. Phase II will also address clarification for health insurers and the types of products applicable for each of the mandates. In FY 2010, Phase II will be drafted and distributed to interested parties for comment. Future phases of this initiative have not been defined.

INITIATIVE 1.2: Implement 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. In FY 2008, the DC 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 is required to conduct administrative hearings on all premium rate increase requests over 10 %. In FY 2009 there were no premium rate increase requests greater than 10%. In FY 2010, DISB will continue to develop procedures to conduct administrative hearings, make all rate information publicly available and post all final rate charges on the DISB website. In addition, DISB will develop an annual bulletin that will provide a format for District hospitals to provide information on their medical negligence claims. This information will be filed with the Department of Health for review and analysis. DISB will utilize the claim data to monitor the frequency and / or severity of medical malpractice claims in the District.



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

INITIATIVE 2.1: Upgrade the current regulatory and enforcement process for resident and non-resident insurance products offered in the District.

There are over 58,000 licensed producers in the District. 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, DISB instituted improvements to the workflow and adjudication processes and provided a more robust public disclosure of regulatory actions to the media to expose fraudulent producers and insurers. By September 2010, DISB will enhance our services to District residents by extending consumer regulatory oversight guidelines to include insurers, title companies, life settlement companies and private mortgage providers. Title company and life settlement regulatory authority is not within DISB's control; however, regulatory approval is included in legislation that has been drafted by DISB, but not yet approved.

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

due to loss of income and higher insurance rates. The DISB Enforcement and Investigations Bureau continues to establish and develop strong formal partnerships with the Metropolitan Police Department (MPD) and federal enforcement agencies in order to maximize inter-agency cooperation in the fight against financial services fraud. DISB will continue to leverage investigative resources by partnering with the MPD and federal law enforcement agencies such as the United States Attorney's Office, Federal Bureau of Investigations (FBI), Internal Revenue Service (IRS), and United States Postal Inspectors (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 2010 partnerships will assist DISB in identifying fraud trends in the District and provide our investigators with information, the latest investigative techniques and the ability to leverage MPD and federal law enforcement resources into DISB cases. Throughout FY 2010, DISB will continue to 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. In addition, DISB will sponsor its 2nd Annual "Financial Fraud Awareness Week" with a focus on arming District residents, especially senior residents, with information to help them protect their real estate investments, paychecks, savings, pensions and retirement funds against scams and fraud.



PROPOSED KEY PERFORMANCE INDICATORS – Insurance Bureau

Measure	FY08 Actual	FY 09 YTD	FY 09 Target	FY 10 Projection	FY 11 Projection	FY 12 Projection
# of residents insured by high risk health insurance pool	216	259	259	311	373	448
# of Medical Malpractice insurance rate filings requests with greater than 10% rate increase	N/A	0	0	0	0	0
% of written Insurance complaints resolved within 45 days of receipt	82.4%	100%	80%	85%	90%	95%



Banking Bureau

SUMMARY OF SERVICES

The Banking Bureau regulates all District-chartered banks and other financial institutions licensed to do business in the District of Columbia. This includes non-traditional financial services such as money transmitters, check casher operations, and automated teller machines. The Banking Bureau conducts timely financial examinations of both depository and non-depository institutions, resolves citizen complaints, and licenses individuals and institutions that provide banking and other financial services for District of Columbia residents.

OBJECTIVE 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

INITIATIVE 1.1: Implement a regulatory process for the amended Mortgage Lenders and Brokers Process.

In FY 2008, DISB drafted legislation to allow the District of Columbia to participate in the National Mortgage Licensing System (NMLS) sponsored by the Conference of State Bank Supervisors (CSBS). The NMLS, which began operations in the District of Columbia in August 2009, is a secure web-based system that will allow mortgage lenders, brokers and loan originators to apply for, amend, update or renew licenses online in the District of Columbia and in other participating states. The Banking Bureau transitioned into the new NMLS system and now requires all mortgage lenders, brokers and loan originators to have a complete record in the NMLS which DISB will review and approve. Any company or individual seeking a first-time mortgage lender, broker and loan originator license must also apply through the NMLS.

Along with the legislation, new regulations were also created to ensure effective oversight of the District's mortgage lenders, brokers and loan originators. The NMLS system will allow the District of Columbia to become a part of the new regulatory framework created to provide improved supervision and regulation of the mortgage industry. The Nationwide Mortgage Licensing System is the cornerstone of this framework that will allow mortgage lenders, brokers and loan originators to apply for and to manage their licenses electronically. In addition, the NMLS will assist DC in providing its consumers with improved supervision of the mortgage industry.

It is anticipated that during FY 2010, DISB will rely on the NMLS to process over 1,000 license applications for mortgage brokers, lenders and loan originators and the new licensing software will provide additional revenue of approximately \$400,000.

INITIATIVE 1.2: Address the increasing foreclosure rate to protect the District of Columbia residents:

In FY 2008 and 2009 the foreclosure rates for all mortgages, especially subprime mortgages, increased in the District of Columbia, resulting in many residents losing their homes. Increased foreclosure rates are a critical issue for hundreds of District families due to the potential for them to lose their homes. The effect of foreclosures on our community is a major concern and the Banking Bureau wants to mitigate this issue before it affects all facets of the economy.

In calendar year 2007 there were 282 foreclosures, in calendar year 2008 there were 995 and calendar year-to-date 2009 there have been 1,225. In an effort to impact this increasing rate of foreclosures, DISB created the DISB Foreclosure Mitigation Kit, also



known as “*The Kit*.” *The Kit* was created in FY 2008 and updated in FY 2009. *The Kit* is a step-by-step guide for consumers that gives instructions on how to avoid foreclosure. It describes the foreclosure process from pre-foreclosure through what to do after your home has been recovered from the foreclosure process. In addition, *The Kit* explains the foreclosure process, loan refinancing, how to prevent foreclosure, information from federal government agencies and other helpful home financing information.

While DISB cannot control the foreclosure rate in the District, it can directly impact, influence and assist residents with mitigation that may help to avoid foreclosure. Based on the demand in FY 2009 for *The Kit*, it is expected that more than 1,000 copies will be distributed in FY 2010. The Banking Bureau monitors foreclosures in the District with monthly foreclosure reports that tract current results and demographics to identify trends. With this data, DISB can compare the District’s trends to similar municipalities and identify patterns and other useful information to help the citizens of the District of Columbia.

PROPOSED KEY PERFORMANCE INDICATORS – Banking Bureau

Measure	FY08 Actual	FY 09 YTD	FY 09 Target	FY 10 Projection	FY 11 Projection	FY 12 Projection
% of Mortgage foreclosure mitigation program participants that avoid foreclosure	85.7%	87%	85%	85%	90%	90%
% of written Banking complaints resolved within 45 days of receipt	82.4%	96%	80%	85%	90%	95%
# of customers receiving financial literacy training	732	705	500	600	700	800
# of payday loans establishments operating in the District ²	0	0	0	0	0	0

² The “Payday Loan Consumer Protection Amendment Act of 2007” prohibits payday lending in the District.



Securities Bureau

SUMMARY OF SERVICES

The Securities Bureau administers all regulatory activities of stock and investment firms in the District of Columbia to proactively protect District of Columbia residents against malpractice by investment advisers. The Bureau provides effective review and analysis of certain securities offerings to investors so they can receive full disclosure as required by the D.C. Code. Additionally, the Bureau provides public information and performs examinations of financial condition and regulatory compliance of securities firms and their representatives.

OBJECTIVE 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

INITIATIVE 1.2: Engage in comprehensive campaign to provide financial literacy and increase the amount of information available to DC residents through outreach programs.

In FY 2009 DISB met with representatives from banks, credit unions, securities firms, and insurance companies to discuss the development of a Financial Literacy Council. The Securities Bureau, with support from the other bureaus, hosted several Investor Education programs at libraries throughout the District. Throughout FY 2010, the Securities Bureau will continue to provide financial literacy and awareness information on the DISB website that focuses on the financial needs of the individual based on their life stage.

PROPOSED KEY PERFORMANCE INDICATORS – Securities Bureau

Measure	FY08 Actual	FY 09 YTD	FY 09 Target	FY 10 Projection	FY 11 Projection	FY 12 Projection
% of DC –based investment firms examined for compliance within 12 months	29.4%	24%	15%	20%	25%	30%
% of Securities notice filings processed within 30 days ³	N/A	N/A	N/A	13,000	13,200	13,300
# of District residents receiving financial literacy training and information	732	705	500	600	700	800

³ Formerly “# of Securities notice filings processed within 30 days,” this KPI was edited by DISB because The Securities Bureau has no control over the number of notice filings presented. The demand for securities notice filings directly correlates to the demand for selling activity initiated by the issuers of securities. However, the Bureau does have control over how fast these filings are processed once they are received.



Enforcement and Investigation Bureau

SUMMARY OF SERVICES

The Enforcement and Investigations Bureau (EIB) plans and directs well-designed programs to detect and to provide prompt assistance in the prosecution of fraudulent financial operations and services for residents and businesses in the District of Columbia. The EIB provides regulatory and compliance guidance, training, data analysis and reporting guidelines to financial service entities, DISB, and other jurisdictions.

OBJECTIVE 1: Reduce insurance, securities and banking fraud through prevention, detection and enforcement.

INITIATIVE 1.1: Upgrade the current agent enforcement process for resident and non-resident insurance procedures 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, DISB instituted improvements to the workflow and adjudication processes and provided a more robust public disclosure of regulatory actions to the media.

INITIATIVE 1.2: 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 due to loss of income and higher insurance rates. The EIB continues to establish and develop strong formal partnerships with MPD and federal enforcement agencies in order to maximize inter-agency cooperation in the fight against financial services fraud. In year-to-date FY 2009, EIB referred 50 investigations to the Insurance Bureau for regulatory/legal action. In FY 2010, 60 referrals are projected. DISB has very limited enforcement resources and leverages investigative resources by partnering with MPD and federal law enforcement agencies.

The ongoing focus of these partnerships is to identify, investigate and prosecute financial fraud perpetrated in the District of Columbia, and investigative procedures are constantly evolving. Throughout FY 2010, DISB will continue to collaborate with the US Coalition against Insurance Fraud for antifraud outreach program materials and with the National Insurance Crime Bureau (NICB) in an initiative to form a DC Insurance Fraud Taskforce. In FY 2010, DISB will sponsor the 2nd Annual “Financial Fraud Awareness Week” with a focus on arming District residents, especially senior residents, with financial literacy information to help them protect their real estate investments, paychecks, savings, pensions and retirement funds against scams and fraud.

INITIATIVE 1.3: Engage in comprehensive campaign to provide information and literature on financial fraud and increase the amount of information available to DC residents through outreach programs and decrease vulnerability to fraud.

Throughout FY 2010 and 2011 DISB will actively participate in community-sponsored and city-wide sponsored events to reach residents *wherever they are* by making DISB information and services available to military constituents, senior citizens, teens, families, singles and couples. In FY 2008, DISB participated in 59 community outreach programs and in FY 2009 year-to-date DISB has participated in 64 community outreach programs.

In FY 2009, DISB created a Consumer Protection and Advocacy Taskforce, comprising four workgroups focusing on complaints, foreclosures, investor protection and market conduct. During that time, DISB saw an increase in media hits due to the different types



of media used to promote the agency. DISB created various themes to send financial messages to the public, with each focusing on the quarterly consumer and business online-newsletter. In addition, DISB began using social networking sites such as Facebook and Twitter to retarget its information, and announce upcoming events on the Web.

Throughout FY 2010, DISB financial literacy information will be placed in a quarterly newsletter for citywide distribution. DISB intends to create a hardcopy version of the newsletter for the convenience of all District citizens. In addition, DISB anticipates using blogs, videoconferencing, other social networking sites, and more Web-based interactions. DISB views financial literacy as a continuous journey, and takes a proactive approach to financial empowerment. DISB will leverage its resources through creativity, partnership building, and innovative thinking. In FY 2010, DISB will explore other innovative forms of communication and will continue using as many mediums as possible to reach consumers to highlight the agency's consumer education, awareness and protection services.

PROPOSED KEY PERFORMANCE INDICATORS- Enforcement and Investigations Bureau

Measure	FY08 Actual	FY 09 YTD	FY 09 Target	FY 10 Projection	FY 11 Projection	FY 12 Projection
% of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures	100%	100%	80%	85%	90%	90%
# of Administrative hearings conducted regarding violations of producer licensing laws	N/A	21	10	15	18	20
# of District residents receiving financial literacy training and information	732	705	500	600	700	800



Risk Finance Bureau

SUMMARY OF SERVICES

The Risk Finance Bureau maintains regulatory oversight of captive insurers and certified capital companies (CAPCOs) that operate or plan to do business in the District of Columbia. In addition to regulating CAPCOs and captive insurers, the Bureau is responsible for marketing the District as an attractive jurisdiction for the formation of new captive insurance companies. The Bureau exhibits and disseminates information about the advantages of forming captives in the District at several insurance conferences on an annual basis. These efforts have resulted in the formation of over one hundred captive insurers in the District. A few of the notable captives are owned by Fortune 500 Companies, major associations, and national religious organizations. The primary purpose of the marketing efforts is to increase the tax revenue for the City and create economic opportunities for District-based businesses such as banks, law firms and accounting firms.

OBJECTIVE 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

INITIATIVE 1.1: Perform comprehensive compliance audits of the Certified Capital Companies operating in the District.

DISB regulates Certified Capital Companies (CAPCOs) operating in the District. The CAPCOs receive funding from insurance companies, which in return receive 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 April 1, 2010, Risk Finance will perform comprehensive compliance audits of the CAPCOs, and will prepare written audit reports describing the findings.

INITIATIVE 1.2: Evaluate and complete financial examinations on captive insurance companies domiciled in the District of Columbia.

The Risk Finance Bureau conducts financial examinations on the condition of captive insurance companies licensed in the District. The financial examinations and analysis are proactive measures to ensure the captive insurers are in compliance with the District’s solvency laws and regulations. The track record of FY 2008 and 2009 demonstrate that the District is earning the reputation of a favorable jurisdiction to operate a captive. The number of captives grew from ninety (90) in 2008 to ninety-four (94) in 2009. During FY 2010 through FY 2011 DISB plans to increase the premium tax revenues by increasing the number of captives domiciled in the District of Columbia.



PROPOSED KEY PERFORMANCE INDICATORS – Risk Finance Bureau

Measure	FY08 Actual	FY 09 YTD	FY 09 Target	FY 10 Projection	FY 11 Projection	FY 12 Projection
% of CAPCOs examined annually	N/A	0%	100%	100%	100%	100%
# of Captive Insurance Company applications processed within 30 days of receipt	N/A	N/A	N/A	16	20	24
% of financial examinations and analyses completed annually on Captive Insurance companies	N/A	N/A	N/A	100%	100%	100%