



## **FY 2014 PERFORMANCE PLAN**

### **Insurance, Securities and Banking, Department of**

#### **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.

To perform these services, the Department has six management areas: Market Operations; Policy, Planning and Administration (Agency Management); Agency Fiscal Operations; Communications; General Counsel; and Market Compliance. The performance plans for the eight specific operating bureaus and divisions within these areas are as follows:

#### **PERFORMANCE PLANS DIVISIONS**

- Office of the Commissioner (including Agency Management and Communications)
- Banking Bureau
- Insurance Bureau
- Risk Finance Bureau
- Securities Bureau
- Compliance Analysis Division
- Enforcement and Consumer Protection Division
- Market Examinations Division



## *Office of the Commissioner*

### **SUMMARY OF SERVICES**

The Office of the Commissioner is responsible for the overall leadership, management, and administration of the Department's financial and personnel resources. Critical responsibilities include the development and implementation of policies, programs and plans that uphold the laws of the District of Columbia promote and maintain consumer protection, and ensure efficient and effective regulation of the financial industry. One of the Department's principal objectives is to protect consumers by providing consistent and accurate information about financial services firms operating in the District.

The Agency Management function includes the development and implementation of policies for internal Department operations, strategic development and planning for regulatory operations and administration of resources to meet the Department's overall mission.

Communications is responsible for managing inter and intra-agency communications including developing and implementing a strategic communications plan for the Department. This includes near-term and long-range plans for preparing and disseminating information on DISB programs and initiatives, serving as liaison between DISB and the media, advising senior management on developments in the areas of public information/education and community relations that affect the public and the Department's responsibilities for consumer protection and economic development, and establishing relationships and channels to exchange information with employees, constituents, government agencies, industry sectors, and financial services organizations such as the National Association of Insurance Commissioners (NAIC), the North American Securities Administrators Association (NASAA), and the Conference of State Bank Supervisors (CSBS). Communications formulates policies and develops protocols to support the Department's operations and regulatory strategies to increase its effectiveness with industry sectors and markets.

**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.**

Identify industry sector regulatory requirements that provide opportunities for increased financial services activities. DISB will participate in the following: NAIC spring, summer and winter national meetings, NASAA spring and fall meetings, CSBS quarterly meetings, in addition to participating in market sector committees and working groups, and training and development opportunities. This initiative has a completion date of September 30, 2014.

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

Evaluate changes in industry sector and marketplace activities to determine ongoing needs for regulatory actions and adherence to best practices by market participants. This initiative has a completion date of September 30 annually.



**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.**

Develop outreach campaigns to provide consumers with information that will help them make informed choices about financial service offerings. The education effort will cover a range of topics from basic information through steps that can be taken to avoid financial fraud. The subject matter will be tailored to the audience and will include in person presentations as well as online information and print material. DISB will hold at least two community events a month to promote financial literacy. It will promote and record these events for access via podcasts, YouTube and other digital media. DISB will create at least one original podcast every other month on a different financial literacy topic; create a speakers bureau with experts on consumer finance topics to speak at community events; publish two columns a month in the weekly Informer newspaper; and will publish at least one op ed on financial literacy in a local newspaper. This is an ongoing effort. The number of outreach campaigns conducted is tracked on a fiscal year basis. This initiative has a completion date of September 30, 2014.

**INITIATIVE 2.2: Conduct administrative hearings for insurance producers to improve the licensing process and regulate the distribution channels for consumers.**

Conduct timely hearings of Resident and Non-resident Insurance producers that have been referred by the Enforcement and Consumer Protection Division. These hearings would be for violations of the Producer Licensing Act of 2002, (ACT), D.C. Official Code § 31-1131.12, and Chapter 38 of Title 26 of the District of Columbia Municipal Regulations (DCMR). This is an ongoing effort. The number of hearings conducted is tracked on a fiscal year basis. This initiative has a completion date of September 30 annually.

**OBJECTIVE 3: Establish an agency regulatory strategy based on an understanding of integrated financial services developed through relationships with national (including federal) and international regulatory authorities to broaden sources of information.**

**INITIATIVE 3.1: Identify common financial analysis factors and develop reporting structures across industry sectors.**

Determine characteristics for best practices determined by analysis of District regulatory environment and current and emerging issues in the financial services marketplace. At the end of FY 2012, DISB hired three new analysts to initiate this ongoing process. DISB completed the phase identifying peer states by March 31, 2013. DISB is in the process of developing a system of cross-functional reporting which will allow information to be shared across industry sectors. Full implementation of dual reporting for Market Examinations and Compliance Analysis is expected by June 30, 2014.



**INITIATIVE 3.2: Participate in NAIC, NASAA, and CSBS committees and working groups for domestic and international regulatory matters.**

On an ongoing basis, DISB staff attends regularly scheduled industry-specific conferences and participates in periodic working groups for each of the market sectors. Participation enhances subject matter expertise and puts DISB in a unique position with access to federal regulatory agencies and national headquarters for industry groups that monitor and influence the market activities of their members. These activities are on-going through September 30, 2014.

**INITIATIVE 3.3: Facilitating the implementation of regulatory standards stemming from federal and international regulatory initiatives.**

Increase cooperation with other state and federal agencies international regulatory bodies in financial sectors. This initiative is an going.

**KEY PERFORMANCE INDICATORS – Office of the Commissioner**

Measure	FY 2012 Actual	FY 2013 Target	FY 2013 Actual	FY 2014 Projections	FY 2015 Projections	FY 2016 Projections
#of consumers receiving financial literacy training and consumer protection information.	588	600	2317	1000	1250	1500
% of grant budget spent on programmatic costs/SSBCI & Health Care.	3%	3%	0.56%	3%	3%	3%
#of Insurance Producer administrative hearings completed and proposed final orders issued within 60 days.	18	20	21	18	16	16
# of initiatives to increase financial services activities.	3	3	3	3	3	3
Change in amount of gross revenue from all sources (3% annual increase).	\$124,388,847	\$114,654,388	\$120,089,173	\$118,094,020	\$121,636,840	\$125,285,945



## ***Banking Bureau***

### **SUMMARY OF SERVICES**

The Banking Bureau (Banking) regulates the activities of financial institutions within the District of Columbia to protect consumers from unfair practices, promote economic development, and provide a fair financial market that benefits DC consumers and businesses. This includes District chartered banks and other non-depository financial institutions licensed to operate in the District of Columbia, such as mortgage lenders, brokers, loan originators, money transmitters, check cashers, money lenders and consumer credit service organizations. Banking conducts timely financial examinations of both depository and non-depository institutions, and licenses individuals and institutions that provide banking and related financial services for District of Columbia residents.

### **OBJECTIVE 1: Improve consumer confidence**

#### **INITIATIVE 1.1: Establish a regulatory process to improve the Foreclosure Mediation Program.**

The new Foreclosure Mediation Program is focused on Banking providing additional solutions to District homeowners who find themselves in the unfortunate situation of losing their homes to foreclosure. This initiative will be ongoing until demand for the service dictates otherwise. In FY 2013, a greater part of Banking's efforts will be focused on foreclosure mediation, pursuant to the "Saving District of Columbia Homes from Foreclosure Act of 2010". This bill requires mandatory mediation between the lender and homeowner prior to foreclosure. It requires DISB to implement rules to oversee the mediation process, including the designation of a Mediation Administrator, establishing procedures, creating a fee schedule, determining timelines for the required mediation hearings, creating a database for record keeping and tracking mediation results. In FY 2012, DISB hired a Mediation Administrator who will oversee the program and with designated staff, certified mediators, and the use of the services of HUD Certified Housing Counselors will assist District residents to explore available options to save their homes. In FY 2013, DISB plans to work with the Council to introduce legislation to resolve some technical issues with Foreclosure Mediation Program, including developing and objective good faith standard and providing for finality through an appeal process. This initiative has a completion date of September 30, 2013.

#### **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).**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank) established the Consumer Financial Protection Bureau (CFPB) and authorizes it to supervise certain consumer financial services companies and large depository institutions and their affiliates for consumer protection purposes. The Act calls on the CFPB to coordinate and collaborate with state regulators. The District of Columbia has signed an MOU with the CFPB to address information sharing, development of consistent exam standards, and coordinated supervision. DISB intends to update its examination procedures and policies and adopt examination manuals that are consistent with the Dodd Frank Act. This initiative has a completion date of September 30, 2013.



**INITIATIVE 1.3: Increase Banking Bureau participation in multi-state examinations, particularly as they relate to mortgage lenders and servicers.**

In addition to our commitment to license all DISB mortgage lenders, brokers and loan originators through the Nationwide Mortgage Licensing System, Banking plans to increase participation in the NMLS Multi-state Examination Program, coordinated by the NMLS Multi-state Mortgage Committee. Increasing the number of multi-state examinations in which we participate, will enable DISB to identify problem mortgage lenders, brokers and loan originators who may have been previously targeted by other state regulators for civil and/or criminal enforcement actions. This will also enable our staff to learn new techniques that can be used in future examinations, and enhance DISB's consumer protection efforts. DISB plans to participate in at least 2 multi-state mortgage examinations with the Multi-state Mortgage Committee to be completed before September 30, 2013. This initiative has a completion date of September 30, 2013.

**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.**

**INITIATIVE 2.1: Revise the emphasis of the program from capital access to collateral support.**

On September 27, 2010, President Obama signed into law the Small Business Jobs Act of 2010 (the "Act"). The Act created the State Small Business Credit Initiative (SSBCI), which was funded with \$1.5 billion to strengthen state programs that support lending to small businesses and small manufacturers. In FY12, DISB received the first tranche of a \$13.2 million grant to implement the SSBCI program in the District of Columbia. In FY13, DISB will implement the SSBCI program based on revisions aimed at providing collateral support for banks. Under the collateral support program DISB will provide 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 the SSBCI funds to create at least ten dollars in private credit for every dollar committed to the program. This initiative has a completion date of September 30, 2013.

**OBJECTIVE 3: Decrease the percentage of unbanked/underbanked residents in the District of Columbia through the Bank on DC initiative.**

**INITIATIVE 3.1: Launched in April 2010, Bank on DC is a collaborative effort between the District,** financial institutions and non-profits whose mission is to provide greater access to affordable financial services, products, and financial education to unbanked and under-banked households that would otherwise use check-cashers and non-traditional means of financing. Target areas include ward 1, 4, 7 & 8. The goal of Bank on DC is to open 500 to 600 banking accounts per year and complete 150 workshops/sessions providing information and teaching financial health. YTD for FY13 Bank on DC has opened 341 accounts, saving residents \$272,800 in checking cashing fees and program has facilitated 113 workshops/sessions. Bank on DC's self-paced web-based platform (Life Cents) provides an



innovative approach to measure of the User’s financial health which is based on their performance on pre- and post-assessments associated with each goal. This platform provides Users with incentives to motivate them to commit to improving their financial health and work towards personal financial security. Through Life Cents, Bank on DC currently has over 6,500 unique users, average time spent on web-site 45minutes and 35 seconds., average wellness score (comprehension score) has increased by 8%, Partners’ pages had the highest page views – other than goal related pages and the number one download is the Tools & Resources Section.

**INITIATIVE 3.2: Use Bank on DC as a tool to increase access to car-sharing and bikes-sharing programs for low-income families and underserved populations.** As part of Sustainable DC Plan this program will assist in the increased use and access to bike and car-sharing programs.

**KEY PERFORMANCE INDICATORS – Banking Bureau**

Measure	FY 2012 Actual	FY 2013 Target	FY 2013 Actual	FY 2014 Projections	FY 2015 Projections	FY 2016 Projections
% of foreclosure mediations completed within the time required by the Saving DC Homes from Foreclosure Act of 2010 and its implementing rules.	49.00%	95.00%	100.00%	95.00%	95.00%	95.00%
% of the first tranche of SSBCI dollars disbursed.	0%	80%	13.89%	80%	80%	80%
Of remaining CAPCO funds invested in Qualified Businesses	9.09%	20%	100.00%	20%	20%	20%
# of accounts opened through Bank on DC	972	500	662	500	500	500



## *Insurance Bureau*

### **SUMMARY OF SERVICES**

The Insurance Bureau (Insurance) monitors the financial solvency of insurance companies operating in the District of Columbia (DC). In addition, Insurance issues licenses to insurance companies, insurance producers and related entities, 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: Implement components of the Federal Health Care Reform Law in the District and utilize federal resources made available through the law.**

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, Pub. L. No. 111-148, and the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152 (collectively, “Federal Health Care Reform Acts”). The Federal Health Care Reform Acts requirements will be phased in over several years and their implementation will require significant effort on the part of DISB including proposing legislation and regulations, supporting the development of a Health Benefits Exchange and providing information to the Department of Health and Human Services. Starting in FY 2011, as required under federal law, Insurance focused on enhancing the health insurance premium rate review process by providing resources to do a more robust and thorough review of all rate filings received in the Department ensuring rates charged to DC residents are appropriate for the benefits provided. The new procedures also facilitate public input on rate filings prior to their approval by the Department. In the first quarter of FY 2011, the Department increased the number of staff reviewing rate filings, purchased software to evaluate filings, and began conducting analysis of rate filings and insurer financial information. In the second quarter of FY2011, Insurance introduced additional information on the Department website to provide enhanced information to consumers. By the end of FY2013, Insurance will develop legislative and regulatory proposals to enhance oversight of health insurance rates. This initiative has a completion date of September 30, 2014.

### **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**

Information about approved policy form and rate filings is currently available to the public through Freedom of Information Act (FOIA) requests. Although most requests for information come from businesses reselling the information, Insurance believes that more consumers will make use of the information if it is made directly available from our website and will provide direct access to rate filings by the end of the third quarter of FY2013. Because the rate filings are very technical actuarial documents, Insurance will work to produce and publish consumer-friendly summaries of rate filings. The first batch of summary information relates to health insurance, with a target date of the end of FY2013. This initiative has a completion date of September 30, 2014.





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

**INITIATIVE: 3.1 DISB began regulating title insurance in 2011.** This is a long term project; the first phase will begin with determining whether title insurance companies currently collect sufficient information for a thorough review of the title insurance rates. It is likely that such information is held at the producer level rather than at the insurance company level, in which case Insurance will engage outside parties to determine what information can reasonably be collected to support title insurance rates. DISB will conduct a Market Conduct examination of all title insurers operating in DC to develop information to support our review of title insurance rates. DISB will continue to review the effectiveness of the title insurance laws and regulations and make adjustments as necessary. DISB has legislation pending to address issues that have arisen with title insurance and will continue to identify legislative and regulatory changes necessary to protect title insurance purchasers in DC and support a stable market. Finally DISB staff is active in NAIC work groups developing enhancements to title regulation such as the establishment of a guaranty fund and the application of Risk Based Capital (RBC) to title insurers, and will incorporate any changes to our regulatory scheme. This initiative has a completion date of September 30, 2014.

**KEY PERFORMANCE INDICATORS – Insurance Bureau**

<b>Measure</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Target</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Projections</b>	<b>FY 2015 Projections</b>	<b>FY 2016 Projections</b>
% of rate filings approved, accepted or rejected within 30 days of receipt.	96.61%	95.00%	89.25%	95.00%	95.00%	95.00%
% of form filings approved accepted or rejected within 30 days of receipt.	96.61%	95.00%	99.74%	95.00%	95.00%	95.00%



## ***Risk Finance Bureau***

### **SUMMARY OF SERVICES**

The Risk Finance Bureau (Risk Finance) maintains regulatory oversight of captive insurers that operate in the District of Columbia. Risk Finance develops legislation and market information and participates in conferences to enhance the District's status as an attractive jurisdiction for the formation of new captive insurance companies. 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 benefit of captive insurance formation is premium tax revenue for the District and business opportunities for District-based banks, law firms and accounting firms.

### **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.**

The financial examination process is an important activity and one of the primary methods DISB uses to determine whether insurers are in compliance with the District's solvency laws and regulations. DISB's ultimate goal is to ensure that all insurers licensed in the District remain solvent so they can meet their financial obligations to policyholders, many of whom are District residents. Each insurer licensed by Risk Finance is required to be examined at least once every five years. Risk Finance has the authority to conduct unscheduled examinations more often if necessary. We examine approximately 12 insurance companies per year and carefully analyze insurers' financial statements, on an annual or quarterly basis (depending on the type of company) during the period between financial examinations. Risk Finance has licensed one hundred fifty-seven (157) captive insurance companies since 2001, and has gained the District a national reputation of being one of the top jurisdictions in the U.S. for the formation and operation of these specialized insurance entities. Notable companies include General Motors, Subaru, Dow Corning, AARP, Goldman Sachs, the United Methodist Church, MedStar Health, Amtrak, and the New York/New Jersey Port Authority. Captive insurance companies have paid approximately \$9 million in tax and fees to the District since 2001. In FY 2012 and beyond, DISB plans to increase premium tax revenues for the District by increasing the number of captives domiciled in the District of Columbia. Accordingly, it is important for DISB to ensure that captive insurers operating in the District remain financially solvent so these firms will continue to operate profitably, pay policyholder claims and generate tax revenue for the District. In FY 2012 DISB licensed fifteen (15) new captive insurers. These companies will generate new taxes and fees for the District. The specific dollar amounts, however, are unknown at this time because the captive insurers licensed in FY 2012 will not begin to pay premium taxes until FY 2013. It is DISB's expectation that it will license at least fifteen (15) new captive insurers in FY 2013. DISB was required to liquidate one captive insurer in FY 2012 because the company's policyholders' surplus fell below the statutorily required minimum amount. DISB placed one captive insurer in liquidation in FY 2013 for the same reason stated above. DISB does not anticipate the need to liquidate any additional captive insurers in FY 2013. This initiative has a completion date of **September 30, 2014**.



**KEY PERFORMANCE INDICATORS – Risk Finance Bureau**

<b>Measure</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Target</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Projections</b>	<b>FY 2015 Projections</b>	<b>FY 2016 Projections</b>
% of Captive Insurance Company applications processed within 30 days of receipt.	100%	100%	100%	100%	100%	100%
% of financial examinations completed on Captive Insurance Companies.	100%	100%	100%	100%	100%	100%



## *Securities Bureau*<sup>1</sup>

### **SUMMARY OF SERVICES**

The Securities Bureau (Securities) seeks to protect investors and potential investors in the District of Columbia (District) against prohibited practices by firms and individuals in the securities industry, and companies and individuals that make offerings of investments in the District. Securities regulates the securities industry operating in the District by administering and enforcing applicable laws and regulations. Securities licenses broker-dealers and their agents, investment advisers and their representatives, and the agents of companies that make securities offerings. By licensing the securities financial providers Securities seeks to ensure that the people who provide investment services and investment advice are qualified. Securities examines licensed firms, seeking to ensure that they are in compliance with all applicable rules of fair and honest treatment. Securities also reviews securities offerings within its jurisdiction, seeking to ensure that potential investors are provided with adequate disclosure to enable them to make informed investment decisions. Securities also engages in investor education activities to equip investors to evaluate investment opportunities and financial professionals and to avoid fraudulent investment schemes. Additionally, Securities provides public information regarding the licensing status and disciplinary history of securities firms and their representatives.

### **OBJECTIVE 1: Improve consumer confidence**

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

The Securities Outreach activities described in this goal are undertaken in partnership with the Office of Communications.

In FY 2014, DISB will participate in a town hall meeting sponsored by the Financial Planning Association about investment and financial planning, which is to be presented at Bell multi-cultural high school. In June of 2013, Associate Commissioner Miles and Dr. Robert Roush, the developer of the Elder Investment Fraud and Financial Exploitation (EIFFE) program, met with the Director of Continuing Education at Howard University Medical School, and she agreed to include a presentation on financial exploitation of elders in the continuing education program at the Howard Medical School in FY 2014.

In conjunction with the Office of Communications, the Securities Bureau is also sponsoring a program, "Investor Education in Your Workplace," which is supported by the Investor Protection Trust. By the end of FY 2013, approximately 559 persons employed in DC government, credit unions and other financial services organizations, and other private sector entities will have taken that financial literacy training. DISB is reviewing the financial education options for 2014, to make sure that this program will provide the best value in FY 2014.

DISB aims to raise public awareness of investor's rights and help District residents by providing them with information on the DISB website, though press release, etc. about investment professionals, financial planning resources, and defensive measures against investment fraud.

---

<sup>1</sup> (3000, *Securities Program, Table SRO-4*)



This initiative will be conducted on an ongoing basis throughout FY 2014. There is a never-ending demand for this information. During Fiscal 2014, we plan to participate in public events in each quarter and continue to sponsor financial literacy training for District residents. The completion date for these activities is September 30, 2014.

**INITIATIVE 1.2: Renew the framework for cooperation and dialogue between state securities regulators and state insurance regulators.** These different sets of regulators have many common goals, but from time to time take different approaches to particular business practices. DISB is well positioned to be a leader in initiating constructive dialogue between the two sets of regulators, because in the District, both disciplines are administered by organizational units within DISB.

**INITIATIVE 1.3: Increase the level of electronic submission of required filings.** Since FY 2001, DISB has been on the leading edge of receiving and processing securities filings in electronic, rather than paper, form. DISB processes about 20,000 investment company notice filings each year. We have increased the percentage of electronic filings from less than 50 to about 70 percent. We are working on technological enhancements that will enable that percentage to increase to as much as 80% in Fiscal 2014.

**KEY PERFORMANCE INDICATORS – (Securities Bureau)**

<b>Measure</b>	<b>FY 2012 Actual</b>	<b>FY 2013 Target</b>	<b>FY 2013 Actual</b>	<b>FY 2014 Projections</b>	<b>FY 2015 Projections</b>	<b>FY 2016 Projections</b>
% of securities notice filings processed within 30 days.	63.28%	85.00%	98.91%	85.00%	85.00%	85.00%
% of Broker-dealer and investment advisor firm licenses processed within 30 days of receipt.	97.24%	95.00%	99.47%	95.00%	95.00%	95.00%



## *Compliance Analysis Division*

### **SUMMARY OF SERVICES**

The Compliance Analysis Division (Compliance Analysis) develops research and analysis of industry sectors to establish “best practices” standards and guidelines for design, delivery, and results monitoring of financial products and services. Compliance Analysis reviews consumer complaints regarding financial institutions and firms operating in the District to determine compliance with District of Columbia laws and regulations. Compliance analysis also conducts analysis and investigates matters regarding consumer issues, such as claim disputes, cancellation or non-renewal of insurance policies, improper insurance producer conduct and uninsured motorist fund claims, complaints regarding allegations of misconduct by securities professionals operating in the District of Columbia and complaints regarding banks and non-depository financial institutions to determine compliance with District of Columbia laws and regulations. The Division refers suspected illegal activities to the Enforcement and Investigation Bureau for investigation, and coordinates information from Market Examinations Division with Bureaus to identify and define key market factors that drive changes in each industry sector.

### **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.**

The Department of Insurance, Securities, and Banking began an implementation of an internal realignment of the Department in February of 2012. Under the two new divisions were created, the Compliance Analysis Division and the Market Examinations Division. The goal of the Division is to support DISB’s efforts to develop a financial services regulatory platform for the Government of the District of Columbia that enhances consumer protection by emphasizing shared information within the agency and focusing on market conduct in order to keep pace with market developments. The Division places emphasis on developing proactive capabilities to monitor market activities and the development of guidelines and recommendations that lead to best practices within industry sectors. The current disciplinary measures for licensees who engage in minor unethical, unprincipled or unresponsive business practices are not adequate, and as a result, the Division will research peer jurisdiction’s disciplinary measures and make recommendations on how to provide incentives to reduce the undesirable business practices, including a schedule of fines. The Division will seek to identify financial products and services that currently fall into regulatory gaps and suggest appropriate regulation and/or legislation. The Division will review complaint ratios, licensee complaint handling procedures for response to consumer concerns and internal company policies regarding the handling of consumer concerns. This initiative is ongoing.



**KEY PERFORMANCE INDICATORS – Compliance Analysis Division – Consumer Services**

<b>Measure</b>	<b>FY2012 Actual</b>	<b>FY2013 Target</b>	<b>FY 2013 Actual</b>	<b>FY2014 Projection</b>	<b>FY2015 Projection</b>	<b>FY2016 Projection</b>
% of written Banking complaints resolved within 45 days of receipt.	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of written Insurance complaints resolved within 45 days of receipt.	99.00%	95.00%	98.16%	95.00%	95.00%	100.00%
% of written Securities complaints resolved within 60 days of receipt.	100%	80%	33.00%	80%	80%	100.00%



## *Enforcement and Consumer Protection Division*

### **SUMMARY OF SERVICES**

The Enforcement and Consumer Protection Division (Enforcement and Consumer Protection) plans and directs well-designed anti-fraud programs to detect, investigate, and conduct enforcement activities on behalf of the residents and businesses in the District of Columbia. Enforcement and Consumer Protection also provides mandated anti-fraud regulatory and compliance guidance, training, data analysis to licensed financial service entities.

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

#### **INITIATIVE 1.1: Improve investigations of financial services regulatory and 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 cost DC residents through a loss of income and higher insurance rates. Enforcement and Consumer Protection 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. Throughout FY 2014 DISB will collaborate with the National Coalition Against Insurance Fraud and National Insurance Crime Bureau to acquire outreach materials printed in other languages alerting citizens to financial frauds. Mortgage and Reverse Mortgage Fraud taskforce activities are expected to increase in FY 2014 and result in more referrals for investigation from FY 2013. Participation in these FBI task forces will also allow DISB additional information on DC mortgage frauds that are only available through federal law enforcement channels. To expand District residents understanding of financial frauds, ECPD will work with the DISB Director of Communications 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. This initiative will help District residents, particularly seniors, by strengthening the merits of an investigation to foster prosecutions in the District in collaboration with the US Attorney's Office and the District of Columbia Office of Attorney General. There is an infinite and perpetual ongoing initiative to protect DC residents through a program of insurance, securities and banking fraud detection, investigation and prosecution civilly or criminally against those that would defraud DC residents, eventually punishing and/or removing the offenders from the community. This initiative is ongoing.

### **OBJECTIVE 2: Protect DC Residents**

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

Enforcement and Consumer Protection's Insurance Producer Enforcement and Compliance Branch will ensure that the National Association of Insurance Commissioners (NAIC) producer enforcement systems are used to detect and identify DISB licensed producers committing fraudulent acts. Enforcement and Consumer Protection will improve its utilization of open public background search resources and Federal financial services database systems to identify District





licensed producers that should have their license revoked. Enforcement and Consumer Protection will establish and develop new formal partnerships with Virginia and Maryland regulatory offices dealing with agent enforcement to assist in detection and enforcement actions. In FY 2014, the Insurance Producer Enforcement and Compliance Branch will conduct investigations on complaints not only received from the operational bureaus complaint units but also from the Centers for Medicare and Medicaid Services (CMS). These investigations will focus on allegations of healthcare fraud against seniors. An improved producer investigation program will ensure DC resident and nonresident insurance producers that have violated regulatory statutes are expeditiously investigated to preclude them from defrauding District citizens. This initiative is ongoing.

#### **KEY PERFORMANCE INDICATORS – Enforcement and Consumer Protection**

<b>Measure</b>	<b>FY 2012 Actual</b>	<b>FY2013 Target</b>	<b>FY 2013 Actual</b>	<b>FY2014 Projections</b>	<b>FY2015 Projections</b>	<b>FY 2016 Actual</b>
% of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures.	100.00%	90.00%	100.00%	90.00%	90.00%	100.00%
% of insurance producer enforcement investigations completed within 60 days.	100.00%	85.00%	100.00%	85.00%	85.00%	90.00%



## Market Examination Division

### SUMMARY OF SERVICES

The Market Examinations Division (Market Examinations) conducts on-site examinations of all domiciled insurance companies, inspections of investment advisers and broker-dealers, District-chartered banks and non-depository financial services institutions doing business in the District of Columbia; prioritizes companies for examination or inspection of financial records, prepares and reviews planning and examination work papers, and prepares examination reports in accordance with District of Columbia statutes and appropriate industry examination procedures; and, monitors the solvency of financial firms doing business in the District of Columbia.

### OBJECTIVE 1: Enhance Consumer Protection.

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

The directive of the Market Examinations is to protect consumers through ensuring compliance with Insurance, Securities, and Banking laws, rules, and regulations, including the federal Dodd-Frank Act. Congress recognized the strong record of the states in oversight of Investment Advisers when it enacted Section 410 of Dodd-Frank to expand state authority to mid-sized investment with \$25 million to \$100 million in assets under management. As a result, DISB received 10 new firms to examine in addition to the regularly scheduled (Cycle Exams). Our Securities examination staff is dealing with larger and complex firms, as well as hedge fund advisers. These firms present new and challenging issues, and require more time to review. The implementation of the Dodd-Frank presents challenging issues for the financial industry – insurance, securities and banking. The division will complete regularly schedule (cycle exams) including all six (6) DC-based switched firms. Also, the division will implement the new NEMO software, including importing rules and reviewing questions/modules for applicability to DC specific requirements. This initiative has a completion date of September 30, 2014.

### KEY PERFORMANCE INDICATORS – Compliance Analysis

Measure	FY2012 Actual	FY2013 Projections	FY 2013 YTD Actual	FY2014 Projections	FY2015 Projections	FY2016 Projections
% of DC based investment firms examined for compliance	100.00%	85.00%	100.00%	85.00%	85.00%	85.00%
% of Non-deposit financial institutions examined.	100.00%	85.00%	100.00%	85.00%	85.00%	85.00%
% of Domestic Insurance Companies Financial Analysis Completed.	100.00%	85.00%	100.00%	85.00%	85.00%	85.00%