



## Department of Insurance, Securities and Banking DISB (SR)

---

### 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.

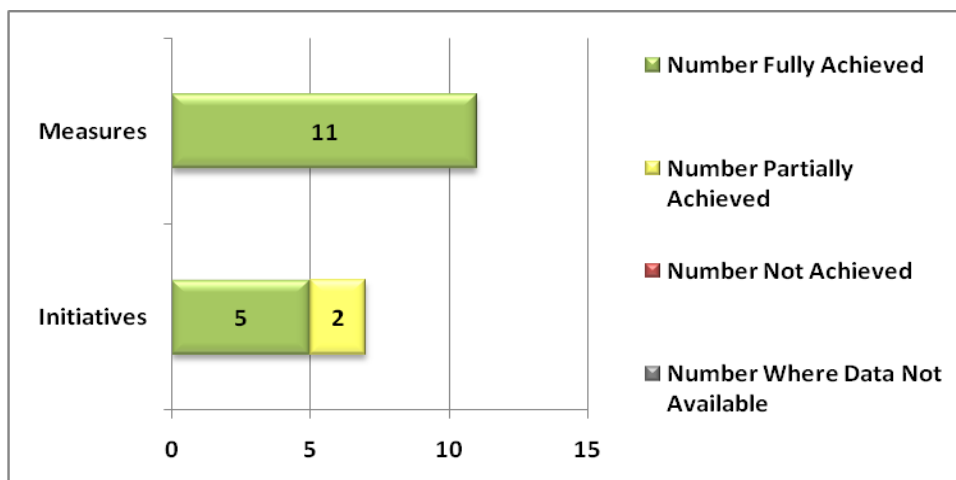
### AGENCY OBJECTIVES

1. Increase the affordability and availability of health insurance coverage.
2. Reduce insurance, securities and banking fraud through prevention, detection and enforcement.
3. Improve consumer confidence in, and increase the availability of, financial services to District residents.

### ACCOMPLISHMENTS

- ✓ Completed investigations which resulted in eighteen cases with sufficient probable cause to present to the U.S. Attorney's Office for criminal prosecution.
- ✓ Completed transition to Nationwide Mortgage Licensing System ("NMLS") for mortgage lender, broker and loan originator licensing.
- ✓ Developed Foreclosure Mitigation Kit which has assisted hundreds of DC residents with avoiding foreclosure.

### OVERVIEW OF AGENCY PERFORMANCE



## Performance Initiatives – Assessment Details

### Performance Assessment Key:

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

### 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 Department developed an internal draft of legislation that addresses the deficiencies in the current law. This is “Phase I” of a revision to our health insurance laws. The primary focus of Phase I is to provide a regulatory scheme for group health insurance. Currently there are references to group policies in a few of the mandates, but there is no overall regulatory scheme for group health insurance policy forms and rates in DC. In addition, secondary changes include updating the language of our required policy provisions, adding additional consumer protections such as requiring prior approval from the Department on rescissions and a disclosure requirement for limited benefit policies. Phase II of the project is to make the definitions consistent throughout the code, particularly related to the mandates, and use consistent language when referring to health insurance. The next step for the Phase I changes is to circulate the proposed changes to consumer and industry groups for comment prior to finalizing. This is an ongoing multi-year initiative.

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

● FY 2009 results for this initiative are: As of December 12, 2008, medical rate reviews are available to view on the DISB website, April 2009, DISB proposed to the Office of Policy and Legislative Affairs that DC medical malpractice claims be made available for public information and the Department reviewed nine (9) filings requesting premium rate increases on medical malpractice insurance. No premium rate increase requests / reviews were greater than 10%. Oversight and follow through of this initiative is at minimum a multi-year initiative to ensure implementation of the Medical Malpractice Claims Act and other consumer -orientated services.

### 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.**

● The Department created an intra-agency( Insurance, Securities and Banking ) cross-functional committee which reviews and refers cases for hearings. During FY 2009, twenty-four (24) administrative hearings were conducted (240% of target). Oversight and constant improvement of this initiative is a multi-year goal to protect the residents of the District of Columbia against fraud.

#### **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.**

DISB's Enforcement and Investigation Division (EIB) improved its investigations of financial services criminal violations by collaborating with federal law enforcement and nonprofit antifraud groups to protect DC citizens from financial fraud. EIB sent eighteen investigations which included sufficient evidence for probable cause to the U.S. Attorney's Office for criminal prosecution. From these investigations : a federal grand jury indicted an insurance agent who stole \$160,000 in illegal commissions, two defendants were indicted by a federal grand jury for perpetrating a nationwide advance fee scam involving over 800 victims for over \$900,000 in losses, a federal grand jury is hearing the case in which several defendants are suspected of perpetrating a mortgage fraud scheme involving over 20 properties in DC and MD, through the use of "Straw Buyers," as well as complicit loan officers, real estate agents/brokers, appraisers and attorneys, one of several suspects in another mortgage fraud investigation pleaded guilty in U.S. District to her involvement in the scam as a mortgage broker. She is pending sentencing. This same investigation also included over 20 area properties in which "Straw Buyers" were used to fraudulently transfer properties of victims and then "Strip" the equity in the homes using false loan origination documents. EIB will continue to broaden our scope of communication with other agencies to continue to prosecute criminals that threaten the financial stability of the residents of the District of Columbia.

**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.**

DISB devoted the greater part of FY09 to preparation for joining the Nationwide Mortgage Licensing System ("NMLS"). The use of the NMLS by state mortgage regulatory agencies was mandated by the enactment of the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 ("S.A.F.E Act) by Congress in June of 2008. The Act made it mandatory for all mortgage loan originators to be either federally registered or state-licensed through the NMLS in order to conduct mortgage lending or brokering business. The SAFE Act was enacted to address serious mortgage related problems by requiring states and the District of Columbia to license mortgage loan originators and to join the newly created Nationwide Mortgage Licensing System ("NMLS"). In order to meet the requirements to implement NMLS and comply with SAFE, DISB, working through an internal Working Group, met frequently to determine focus areas, plan, and implement the District's transition on to the NMLS. For logistical reasons, DISB proposed, through the Mayor, three versions of enabling legislation (Emergency, Temporary, and Permanent Bills) together with a rule making that created the new mortgage loan originator licensing category, and empowered the Commissioner to proceed with the execution of agreements, adopt the necessary application forms, develop a transition plan and take the necessary steps to join the system. DISB transitioned onto the system effective August 3, 2009. All new applicants for mortgage lender, broker and loan originator licenses must now apply through the NMLS. DISB is at the tail end of transitioning current quarterly staggered licenses to the December 31 license expiration date established by the NMLS. Monitoring and oversight of this initiative is a multi-year goal.

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

DISB made 889 updates to its Web site during FY2009. Highlights of the customer friendly website



include: Added a searchable database of licensed insurance companies in the District of Columbia, provided information on how to find old life insurance policies, provided premium rate profiles for auto and home insurance policies, added information on consumer topics including the District's mini-COBRA program, Ponzi schemes, free credit reports information, auction rate securities, foreclosure mitigation, retirement planning, etc. Also added features such as Twitter, Facebook, "DISB in the News," Consumer Protection information, testimonies, videos, etc., included 44 press releases, provided a list of received medical rate filings, added proposed and final rulemaking pages and dedicated a section to explain Financial Literacy Month and the Nationwide Mortgage Licensing System. Provided financial literacy to DC residents will continue to be a multi-year initiative.

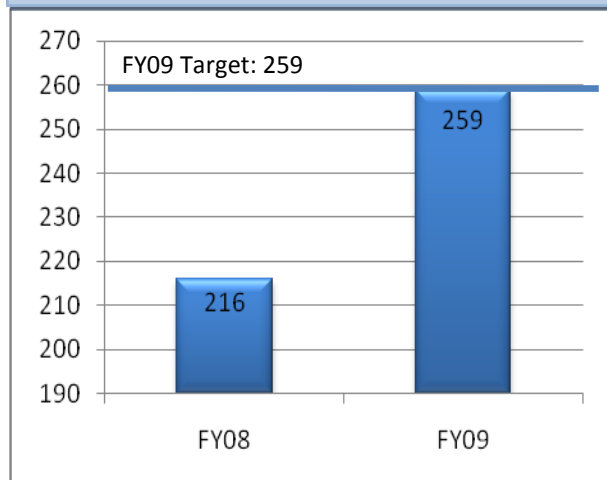
**INITIATIVE 3.3: Perform comprehensive compliance audits of the Certified Capital Companies operating in the District.**

The Department performed compliance audits on 100% of the target CAPCOs. The reports were issued in June of 2009. Advantage Capital DC Partners invested \$5,727,949 in six businesses as of December 31, 2008; Enhanced Capital District Fund invested approximately \$12.9 million in 11 businesses as of December 31, 2008; and Wilshire DC Partners invested approximately \$6.4 million in five businesses as of December 31, 2008. All three of the CAPCOs were found to be in compliance with applicable laws and regulations. DISB will perform compliance audits during FY 2010.



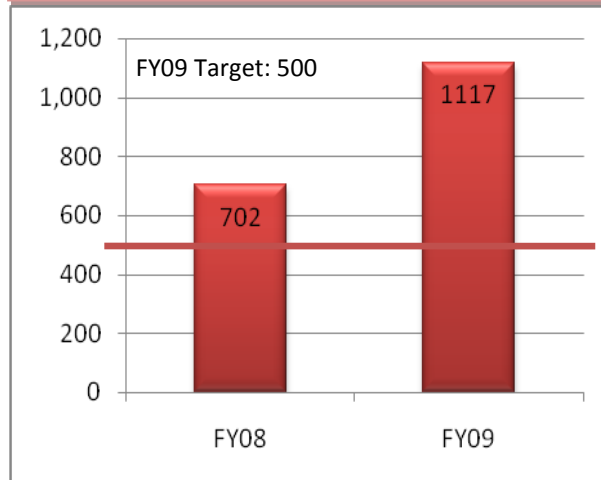
## Key Performance Indicators – Highlights

From Objective 1: # of residents insured by high risk health insurance pool



**FULLY ACHIEVED**

From Objective 3: # of customers receiving financial literacy training



**FULLY ACHIEVED**

### More About These Indicators:

#### *How did the agency's actions affect this indicator?*

- Re-establish the Working Group to consider the High Risk Pool initiative.
- The draft "District of Columbia Health Insurance Plan for Uninsurable Individuals Emergency Act of 2007" (High Risk Pool legislation) was placed on hold pending outcome of the Healthy DC initiative.

#### *What external factors influenced this indicator?*

- DISB tracks and reports the Healthy DC Fund tax revenue collections from insurance companies, and the funds are transferred from the General Fund into the Healthy DC Fund.
- FY 2009 statistics reflect enrollees in the Carefirst Open Enrollment Program.

#### *How did the agency's actions affect this indicator?*

- Attended 73 conferences, ANC and civic association meetings, and public events.
- With several partners, DISB hosted 5 Investor Education in Your Community seminars.
- Developed a comprehensive speakers' bureau, which relied on subject-expert staff members to make presentations to the public.
- DISB redefined its consumer protection framework into three issue areas—effective and efficient business regulation, consumer empowerment and consumer services.

#### *What external factors influenced this indicator?*

- Since 2007 the US economy has slowed, fuel prices have increased, fewer houses have been sold, and home foreclosures increased.
- The 2008 housing market collapse negatively affected most industries including insurance companies, investment firms, automakers, etc.



## Key Performance Indicators – Details

### Performance Assessment Key:

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

	Measure Name	FY2008 YE Actual	FY2009 YE Target	FY2009 YE Actual	FY2009 YE Rating	Budget Program
●	1.1 # residents insured by high risk health insurance pool	216	259	259	100%	INSURANCE PROGRAM
●	1.2 # medical malpractice insurance premium rate filings > 10% increase reviewed	0	0	0	0	INSURANCE PROGRAM
●	2.1 # administrative hearings conducted on producer licensing concerns.	0	10	24	240%	ENFORCEMENT PROGRAM
●	2.2 % Banking complaints resolved within 45 days of receipt	0	80	99.44%	124.29%	BANKING
●	2.3 % open investigative cases reviewed w/n 90 days for correctness and compliance with investigative procedures	100	80	100%	125%	ENFORCEMENT PROGRAM
●	2.4 % enforcement referrals investigated and referred to OLA or Insurance Bureau w/n 90 days	90	80	100%	125%	ENFORCEMENT PROGRAM
●	2.5 % written Insurance complaints resolved within 45 days of receipt	0	80	90.71%	113.39%	INSURANCE PROGRAM
●	3.1 % CAPCOs examined.	0	100	100%	100%	RISK FINANCE
●	3.2 % District residents participating in mortgage mitigation programs to avoid foreclosure	85	80	104.65 %	130.81%	BANKING
●	3.3 % of DC based investment firms examined annually	0	15	27.27%	181.82%	SECURITIES PROGRAM
●	3.4 # District consumers receiving financial literacy training	702	500	1117	223.40%	BANKING