



Department of Insurance, Securities and Banking DISB (SR)

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.

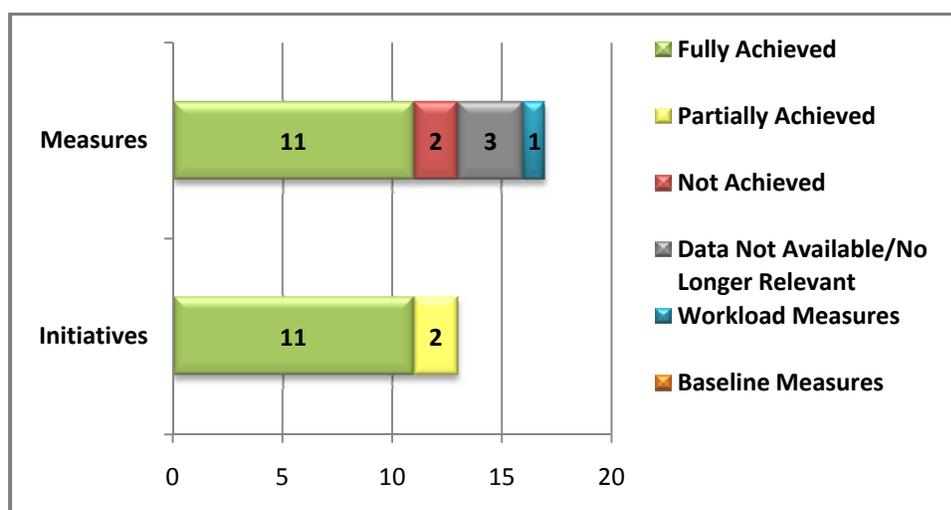
SUMMARY OF SERVICES

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.

ACCOMPLISHMENTS

- ✓ One million dollar grant was received from the Department of Health and Human Services to improve health insurance rate regulation and increase public information.
- ✓ The Bureau's Investigation Division (ID) received 388 referrals/complaints based on allegations of fraud or consumer protection issues. This was a 74% increase from the FY 09 total. ID closed 366 referrals/complaints in FY 2010, which was a 75% increase from the previous fiscal year.
- ✓ The DISB Banking Bureau received 71 foreclosure complaints for fiscal 2010 and successfully processed 69. This resulted in a 97.2% rate of completion, which exceeds the goal of 85% by 12.2%.

OVERVIEW OF AGENCY PERFORMANCE





Performance Initiatives – Assessment Details

Performance Assessment Key:

 Fully achieved  Partially achieved  Not achieved  Data not reported

AGENCY MANAGEMENT

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 FY 2010, the Office of Public Information and Public Relations facilitated 8 community outreach activities, 287 financial literacy seminars and 106 web page update requests. Our customer service record of responsiveness also speaks volumes of our service to the residents of the District.

INSURANCE BUREAU

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.**
Legislation was submitted to the Council. The "Reasonable Health Insurance Rate-Making and Reform Amendment Act of 2010" was introduced by the Council and incorporated all of the Department's recommendations. The legislation establishes rate-making principles and standards as additional guidance in reviewing and approving health insurance rate filings; requires rates meet an 80% loss ratio for individuals and 85% for groups; requires that companies pay a rebate if the loss ratio requirements are not met; and requires rate filings be made available for public inspection.
- INITIATIVE 1.2: Implement a regulatory plan for approving medical malpractice insurance premium rates that will quantify the additional premiums charged to physicians.**
Yes, DISB has successfully completed this initiative. Our staff processed 77.4% of all licenses received. This exceeds the goal of 75% by 2.4%. In addition, DISB joined the Nationwide Mortgage Licensing System and transitioned all existing licensees onto the new system. We processed 1,882 applications for new loan originators and created back- up systems to ensure consumer protection.

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.**



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.

BANKING BUREAU

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.

Our staff processed 77.4% of all licenses received. This exceeds the goal of 75% by 2.4%. In addition, DISB joined the Nationwide Mortgage Licensing System and transitioned all existing licensees onto the new system. We processed 1,882 applications for new loan originators and created back- up systems to ensure consumer protection.

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

Yes, this initiative was successfully achieved. DISB received 71 foreclosure complaints for fiscal 2010 and successfully processed 69. This resulted in a 97.2% rate of completion, which exceeds the goal of 85% by 12.2%. In addition, DISB will be embarking on a new foreclosure mediation program for fiscal 2011, which should dramatically increase our foreclosure success rate.

SECURITIES BUREAU

OBJECTIVE1: 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.**

Yes, DISB has gone over and beyond in achieving this initiative in assisting residents by providing financial literacy information through various communications channels:

- Agency website,
- Social networking tools (e.g. Facebook, Twitter and LinkedIn)
- Messages on electronic distribution groups and list serves
- Television and radio programs, and paid advertising
- Sponsorships and Partnerships
- Articles, interviews and opinion-editorials
- Media outreach and relations
- Consumer Alerts and DISB-related publications
- Inclusion of various financial literacy curricula on agency's website, for eg MoneySmart&Insure U.
- Newsletters—Consumer Protection Advocate Report, DISBULLETIN and the DISPATCH
- Direct interaction at community outreach events (DISB did about 70 outreach activities in the last year including ANC, civic associations, religious institutions, community-based organizations.)
- Financial Literacy Presentations, including the agency's signature town hall meetings and more

In addition, the agency continues to update its website to provide useful consumer information for District residents. The agency is in the final stages of creating a new website but it continues with its daily updates. Some of the topics that DISB has added to its website includes:

- Updates on health reform implementation in the District of Columbia
- Links to new flood maps in DC, and information on the flood plain changes
- Access to databases to conduct background checks on investment advisers and broker dealers,
- Information and consumer alerts on affinity fraud, health reform fraud, settlement costs, disaster planning for small businesses and more.

ENFORCEMENT AND INVESTIGATION BUREAU

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.**

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 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.**

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.

● **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.**

Yes, DISB has gone over and beyond in achieving this initiative in assisting residents by providing financial literacy information through various communications channels:

- Agency website,
- Social networking tools (e.g. Facebook, Twitter and LinkedIn)
- Messages on electronic distribution groups and list serves
- Television and radio programs, and paid advertising
- Sponsorships and Partnerships
- Articles, interviews and opinion-editorials
- Media outreach and relations
- Consumer Alerts and DISB-related publications
- Inclusion of various financial literacy curricula on agency's website, for eg MoneySmart&Insure U.
- Newsletters—Consumer Protection Advocate Report, DISBULLETIN and the DISPATCH
- Direct interaction at community outreach events (DISB did about 70 outreach activities in the last year including ANC, civic associations, religious institutions, community-based organizations.)
- Financial Literacy Presentations, including the agency's signature town hall meetings and more

In addition, the agency continues to update its website to provide useful consumer information for District residents. The agency is in the final stages of creating a new website but it continues with its daily updates. Some of the topics that DISB has added to its website includes:

- Updates on health reform implementation in the District of Columbia
- Links to new flood maps in DC, and information on the flood plain changes
- Access to databases to conduct background checks on investment advisers and broker dealers,
- Information and consumer alerts on affinity fraud, health reform fraud, settlement costs, disaster planning for small businesses and more.

RISK FINANCE BUREAU

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.**
Yes, the performance initiatives are 100% met annually. The measure is calculated on the fiscal year and our CAPCO examinations are completed annually.
- **INITIATIVE 1.2: Evaluate and complete financial examinations on captive insurance companies domiciled in the District of Columbia.**
Yes, this initiative is met fully.



Key Performance Indicators – Details

Performance Assessment Key:

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

	Measure Name	FY2009 YE Actual	FY2010 YE Target	FY2010 YE Actual	FY2010 YE Rating	Budget Program
OFFICE OF THE COMMISSIONER						
●	4.1 # of District residents without health insurance	60800	71500			
INSURANCE BUREAU						
●	1.1 # residents insured by high risk health insurance pool	259	311	1612	518.33%	INSURANCE PROGRAM
●	1.2 # medical malpractice insurance premium rate filings > 10% increase reviewed	0	0			INSURANCE PROGRAM
●	2.1 % written Insurance complaints resolved within 45 days of receipt	100	85	97.41%	114.60%	INSURANCE PROGRAM
BANKING BUREAU						
●	3.4 % of written Banking Complaints Resolved within 45 days of Receipt	96	85	98.62%	116.03%	BANKING
●	3.5 # of Payday Loans Establishments Operating in the District	0	0			BANKING
●	3.2 % District residents participating in mortgage mitigation programs to avoid foreclosure	87	85	97.18%	114.33%	BANKING
●	# of customers receiving financial literacy training					
ENFORCEMENT AND INVESTIGATIONS BUREAU						
●	2.2 % of open investigative cases reviewed w/n 90 days for correctness & compliance to investigative procedures	100	85	100%	117.65%	ENFORCEMENT PROGRAM
●	2.3 # of Administrative Hearings Conducted Regarding Violations of Producer Licensing Laws	21	15	15	100%	ENFORCEMENT PROGRAM



●	2.4	# of District Residents Receiving Financial Literacy Training and Information	705	500	1118	223.60%	ENFORCEMENT PROGRAM
SECURITIES BUREAU							
●	3.3	% of DC based investment firms examined annually	24	20	6.63%	33.16%	SECURITIES PROGRAM
●	3.8	% Of Security Notice Filings processed w/n 30 Days of Receipt	93	85	60.37%	71.03%	SECURITIES PROGRAM
●	2.5	# of District Residents Receiving Financial Literacy Training	705	600	1118	186.33%	AGENCY MANAGEMENT
RISK FINANCE BUREAU							
●	3.1	% CAPCOs examined annually	100	100	100%	100%	RISK FINANCE
●	3.6	# of Captive Insurance Co. Applications processed w/n 30 Days of Receipt	22	16	17	106.25%	RISK FINANCE
●	3.7	% of Financial Examinations completed annually on Captive Insurance Cos.	100	100	100%	100%	RISK FINANCE