



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.

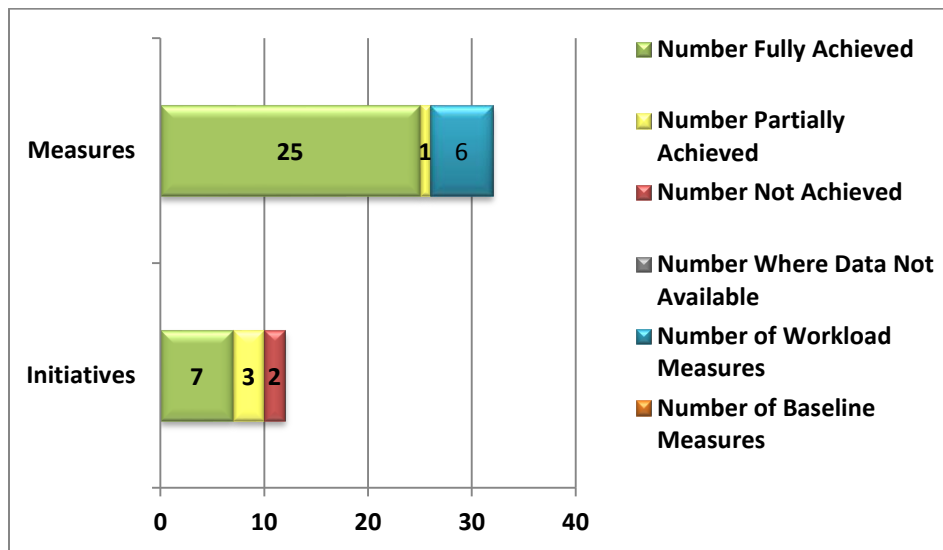
ACCOMPLISHMENTS

- ✓ A major accomplishment of DISB's Insurance Bureau ("IB") in FY2011 was our ability to gear up for the additional requirements that were added to the health insurance rate review process as a result of the federal Patient Protection and Affordable Care Act. The Department applied for and received a grant from the Department of Health and Human Services ("HHS") to assist in meeting the requirements. The grant has been used to add additional staff to support the rate review process and additional funds will be used to engage consultants to improve our process going forward. HHS determined that the rate review process met federal requirements, meaning that there was no need for additional federal oversight of our rate approvals. The IB also provided staff to participate in many outreach activities to educate DC residents about healthcare reform. The IB implemented the "Reasonable Health Insurance Ratemaking and Health Care Reform Act of 2010" and assisted in the development of the "Health Benefit Exchange Authority Act of 2011". IB staff also participated in the HRIC and the Insurance Subcommittee of the HRIC and at the national level through the NAIC to implement health care reform: **[Job Creation]**
- ✓ Risk Finance Bureau (RFB) licensed 17 new captive insurers in FY 2011. As a result of DISB's continuing marketing efforts, DISB licensed 17 new captive insurers in FY 2011. These companies paid \$13,600 in licensing fees to the District in FY 2011, and will pay premium taxes in FY 2012. The amount of premium taxes each company will pay depends on the company's premium volume. The District continues to be a leading captive jurisdiction, and expects to license another 15 to 20 captive insurers in FY 2012. **[Fiscal Stability]**
- ✓ The obtainment of this objective was significant in that the goal and focus is on DC citizen consumer protection. Statistical results reveal that the DISB ECPB had its best investigative enforcement year of the past ten years and that consumer complaints accomplishments were significantly improved in FY 2011. Areas of investigative increase were: total number of referrals/complaints initiated 421(9%) and closed 439(17%), restitution \$8,183,032.00. Cases



presented to the U.S. Attorney’s Office 24 (167%) and the D.C. Office of the Attorney General 12 (140%) , and cases referred to the DISB legal staff 4 (33%) for regulatory enforcement action. The Consumer Services Division of ECPB handled over 700 complaints. Of the 700 complaints, 672 or 97.3% were closed within 45 days. In processing those complaints, DISB assisted consumers in recovering \$450,000, a significant amount. The complaints closing rate was 97.3% which exceeded the objective of 95%. ECPB consumer protection results can be attributed to a high level of training and mentorship given the ECPB staff and the professional, dedicated and focused attitude of the complaints and investigation staff. Handling of financial fraud investigations and consumer complaints that deal with DC resident’s wellbeing applies pressure on the DISB ECPB staff but they all move through their consumer protection mission with a sense of urgency. **Fiscal Stability**

OVERVIEW OF AGENCY PERFORMANCE






Performance Initiatives – Assessment Details

Performance Assessment Key:

-  Fully achieved  Partially achieved  Not achieved  Data not reported


Insurance Bureau

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.**

The Department applied for and received a grant from the federal Department of Health and Human Services (“HHS”) to assist in meeting the requirements. The grant has been used for additional staff to support the rate review process and additional funds will be used to engage consultants to improve our process going forward. HHS determined that the District’s rate review process met federal requirements, meaning that there was no need for additional federal oversight of our rate approvals. The Department’s Insurance Bureau also provided staff to participate in many outreach activities to educate DC residents about healthcare reform. The Department’s Insurance Bureau implemented the “Reasonable Health Insurance Ratemaking and Health Care Reform Act of 2010” and assisted in the development of the “Health Benefit Exchange Authority Act of 2011”. DISB Insurance Bureau staff also participated in the HRIC and the Insurance Subcommittee of the HRIC and at the national level through the NAIC to implement health care reform. This is a multi-year initiative.


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 our web site to better inform and educate District residents.**

All major medical health insurance rate filings are posted on the DISB web site when received and the status is updated once action has been taken on the rate filing (approved, approved with modifications, rejected). Future actions will require rate filings to be submitted using a filing template that will ease comparisons across plans and companies and provide more consumer-friendly language to help explain the filings. Once methodology is completed for health insurance rate filings, the process will be expanded to other types of filings such as automobile and homeowners. This is a multi-year initiative and the FY2010 components were not achieved due to unexpected system constraints and the potential for the NAIC to provide an alternative method to achieve the goal, but not within the FY2010 timeframe.

Banking Bureau

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

-  **INITIATIVE 1.1: Establish a regulatory process to implement and oversee the New Foreclosure Mediation Program.**

DISB has established a regulatory process to implement and oversee the District’s Foreclosure



Mediation Program ('FMP'), which was created to address the foreclosure crisis in the District. The Saving DC Homes from Foreclosure Amendment Act of 2010 codified at DC Official Code §§ 42-815 et seq. (2001) provides residents and lenders with a platform to discuss alternatives to foreclosure.

As the promulgating agency, DISB has adopted implementation rules and established timelines and procedures that provide additional scrutiny of foreclosure documentation to eliminate fraudulent foreclosures. A Foreclosure Mediation Administrator has been appointed to oversee the FMP, and staff has been hired to assist with the implementation of the FMP. Mediators have been appointed to facilitate mediations, and HUD certified housing counselors have been trained to assist residents throughout the mediation process. Software has been procured to maintain adequate record keeping, ensure compliance with stringent timelines set forth in the rules, and track results of mediation.

The FMP has successfully assisted residents directly and indirectly, and 44% of the programs' closed cases have resulted in a resident saving his/her home from foreclosure.

- **INITIATIVE 1.2: Create new procedures for processing and ongoing management of the Nationwide Mortgage Licensing System (NMLS).**

The results for Non-depository financial institutions applications completed and Non-depository financial institutions applications received are obtained from several sources, including the STAR system and NMLS databases. The NMLS report states the number of new applications submitted on a monthly basis, and includes all renewal requests; the STAR report states all non-mortgage related submissions, including renewal filings. Both reports equal the total number of applications received. Of the total non-depository applications received, 98.50% were completed within 90 days of receipt.

The output and outcome for the number of email inquiries is based upon the amount of inquiries received per month, and the response time for those inquiries. The key performance measure for Department responses to email inquiries is 5 days. Of 808 email inquiries received in FY11, 97.7 0% were resolved in 5 days. The Banking Bureau strives to meet the measurement of 100% each month.

- **INITIATIVE 1.3: Increase Banking Bureau participation in Multi-state examinations, particularly as they relate to mortgage lending activity.**

The Banking Bureau participated in four multi-state mortgage examinations in FY11. The Banking Bureau was limited in its participation as several entities that are not licensed to conduct mortgage lending/brokering were examined by the multi-state committee. The Banking Bureau participated in 100% of the multi-state examinations for mortgage lenders licensed and authorized to conduct business in the District.

Securities Bureau

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

- **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.**

This initiative is fully achieved. As part of its comprehensive campaign to provide financial literacy and increase the amount of information available to DC residents through outreach programs,



DISB provided the listed below programs to help residents become better investors. These programs included the Elder Investment Fraud and Financial Exploitation prevention program; MoneyTrack, a PBS-television series airing on Channel 32 that teaches real people of all income levels to become investors; a National Call-in for Seniors to help Avoid Financial Abuse, and the second annual Metro Washington Financial Planning Day, a joint effort among DISB, the Investor Protection Trust, Financial Planners Association, and other District government agencies. Residents met with financial planners and advisers in a free, non-commercial venue to help resolve any issues, and get guidance on their financial affairs, use additional planning resources and learn how to avoid situations of investment fraud. In October 2010, DISB provided information on how residents can verify that a broker dealer, brokerage firm; investment adviser firm or investment adviser representative is licensed by the agency on its website. Since being made available for public viewing, this page has been visited by 119 users with an average time of just under two minutes and 22 seconds per visit. Also, the agency posted information on its settlements with seven Wall Street firms on their selling of auction rate securities to DC investors without proper disclosure of risks. In addition, new consumer resources related to the events in the first paragraph were posted as well as a link to Investor.gov, which is the U.S. Securities and Exchange Commission online resource to help individuals with investments and avoidance of financial fraud.

The outcome of these activities is that residents can get answers to their questions directly from credible sources in a more efficient and effective manner. These program and resources are designed to speed up the process of getting information out to individuals to enable them to make better decisions and to help avoid instances of investment fraud or any type of financial fraud.

The website portion of this initiative is fully achieved. Specific measures such as if the web request was completed or not is examined, and DISB examines number of visits, average time on a page, etc. to measure the output and determine success. Other specific measures have not been set up for the website.

Enforcement and Investigation Bureau

OBJECTIVE 1: Improve DISB antifraud program through prevention, detection and enforcement activities.

- **INITIATIVE 1.1: 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.**

This initiative was fully achieved. Statistical results reveal that the EIB had its best investigative enforcement year of the past ten years. Areas of increase were: total number of referrals/complaints initiated 421(9%) and closed 439(17%), restitution \$8,183,032.00 cases presented to the U.S. Attorney's Office²⁴ (167%) and the D.C. Office of the Attorney General 12 (140%) for criminal prosecution, and cases referred to the DISB legal staff 4(33%) for regulatory enforcement action. The FY 2011 "EIB KPI – Investigation Division - 90% of open investigations to be reviewed within 90 days for correctness and compliance with investigative procedures". This KPI was fully achieved. The Division in FY 2012 reviewed 100% of all of its open investigations throughout the FY11 for correctness and compliance with investigative procedures, which was 10 % above the standard.

OBJECTIVE 2: Protect DC Residents from Insurance Producer violations and improve the DISB



Insurance Enforcement Program.

- **INITIATIVE 2.1: Improve the current insurance agent investigation and enforcement referral Program.**

This initiative was fully achieved. The Enforcement Branch staff handled 252 referrals. This was an increase of 41 referrals or 27% over FY 2010. The referrals involved investigation of insurance producers and required collaborating with other state regulatory jurisdictions, conducting background searches, systematic documentation of findings, and serving as witnesses during administrative hearings. Of the 252 referrals, 34 completed warranted referral for administrative enforcement. Of the 34, 33 or 98% were investigated within 90 days. 31 new referrals were made to DISB Office of Legal Affairs, which was an increase of 3 or 11% over FY 2010. Actions included the revocation of 17 DC licenses and \$1,500.00 in fines. In compliance activities, 65 anti-fraud plans were reviewed an increase of 33% over FY 2010. DISB conducted 129 due diligence background searches of regulated persons or entities, which was an increase of 62% over FY 2010. The agent enforcement investigation system set a goal for case completion of 60 days and it was consistently met at the rate of 98%. It significantly exceeds the EIB objective of 85%.

OBJECTIVE 3: Improve the DISB Antifraud Consumer Protection mission by creating new initiatives in financial literacy and outreach.

- **INITIATIVE 3.1: 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.**

The Consumer Advocate partially achieved the FY 2011 objectives. Some reports for FY 2011 are not yet completed but are in the process of finalization. The following actions were completed: Developed a resource guide with annotated bibliography and contact information on government, private and non-profit organizations engaged in consumer protection, advocacy and financial literacy/education activities; produced fifteen (15) consumer protection and advocacy group presentations in partnership with local community based organizations; provided attendees with information and literature on financial fraud; conducted on-going research and identified resources for consumer protection, financial literacy, investor education and fraud prevention programs; developed grant proposal for a DC Seniors Against Investment Fraud program; produced an analysis of state financial literacy councils and developed implementation plan for the DC Financial Literacy Council; participated in DC Government Mortgage Foreclosure Task Force, North American Securities Administrators Association Investor Education Project Group, Greater Washington Jumpstart Coalition; developed strategic alliances with governmental, business, nonprofit and civic organizations engaged in consumer protection and advocacy and financial education activities.

Risk Finance Bureau

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

- **INITIATIVE 1.1: Perform a comprehensive economic impact study of the Certified Capital Companies (CAPCO) program in the District, which will include assessing the economic activity of the businesses that have received funding from the CAPCOs. The comprehensive annual impact study will determine the economic impact of the CAPCO program on the District's economy.**

Outcome – The economic study will determine whether the CAPCO program has achieved the goal of making capital available to local businesses which, in turn, should result in economic benefits for District residents.



Outcome Measurements – The District government provided the CAPCOs with \$50 million in premium tax credits in 2004. The funds are to be used by the CAPCOs to make investments in local businesses.

Outputs – DISB reviews applications for funding filed by the CAPCOs. When an application is approved, the CAPCOs are authorized to provide the business with a loan or equity investment.

Output Measurements – The purpose of the economic study is to determine whether the CAPCO program has made a positive economic impact on the District’s business community and economy. DISB was advised by the Office of Contracting and Procurement that a Request for Proposal is required to select a contractor to conduct the study. DISB initiated the RFP process in July of 2010, and the contract was awarded in September 2011. The CAPCOs, which are responsible for paying for the cost of the study, have refused to sign the contract with the vendor based on their belief that the cost of the study is unreasonably high. DISB is working with OCP and the CAPCOs in an effort to address the CAPCOs’ concerns. Accordingly, this initiative is considered “Not Achieved” at this time.

● **INITIATIVE 1.2: Evaluate and complete financial examinations on captive insurance companies domiciled in the District of Columbia and market the District as a competitor in attracting and retaining Captive insurers.**

Outcome – Completed financial examinations of captive insurance companies will ensure that the insurers remain solvent and are able to meet their obligations to policyholders. Marketing the District’s captive insurance program will result in new insurers in the District. These companies pay taxes and fees to the District government.

Outcome Measurements – The number of financial examinations required to be performed is dictated by the number of captives that are licensed by DISB during a given year. The number of new captives that choose to organize in the District is determined by many factors, including but not limited to the availability and cost of commercial insurance, general economic conditions, trends in the commercial insurance marketplace and the industry’s perception of the various captive jurisdictions.

Outputs – The staff of DISB’s Risk Finance Bureau periodically performs a very detailed and comprehensive on-site inspection of the books and records of each captive insurer licensed in the District. The purpose of the financial examination is to ensure that the insurer’s financial statements accurately reflect the financial condition of the company and are prepared in accordance with generally accepted accounting principles. DISB personnel actively market the District as a captive insurance domicile.

Output Measurements – DISB performed 12 financial examinations of captive insurers, and licensed 17 new captives in FY 2011. This initiative is considered “Fully Achieved.”

Office of the Commissioner

OBJECTIVE 1: Support Agency Bureaus through effective management.

● **INITIATIVE 1.1: Coordinate Agency services to maximize Consumer Protection Department focus**

The key management objective beginning in February 2011 was the realignment of functional



and operational reporting to create an integrated financial services regulatory platform. The Department is charged with regulating District financial services markets and entities, which includes responding to recent federal legislation such as the Affordable Care Act (healthcare) and the Dodd-Frank Act (reform financial services and consumer protection). The convergence of these financial market sectors and the resulting impact of their transactions, products and services on consumers call for a regulatory strategy that proactively addresses current and emerging issues. The Department realignment provides the foundation for more effective management.

While the proposal for realignment has been approved, its implementation has been delayed pending exemptions from restrictions on promotions, salary increases and hiring. Approval of these exemptions by the Office of the City Administrator is anticipated upon completion of the FY 2013 Budget Review.



Key Performance Indicators – Details

Performance Assessment Key:

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

		Measure Name	FY2010 YE Actual	FY2011 YE Target	FY2011 YE Revised Target	FY2011 YE Actual	FY2011 YE Rating	Budget Program
Agency Management								
●	1.1	# residents insured by high risk health insurance pool	285	314		1612	513.38%	AGENCY MANAGEMENT PROGRAM
●	1.2	# medical malpractice insurance premium rate filings > 10% increase reviewed	0	0		101.27%	119.15%	
●	2.1	% written Insurance complaints resolved within 45 days of receipt	96%	90%		100.16%	111.28%	Enforcement Program
●	2.2	% of open investigative cases reviewed w/n 90 days for correctness & compliance to investigative procedures	100%	100%		100%	100%	Enforcement Program
●	2.3	# of Administrative Hearings Conducted Regarding Violations of Producer Licensing Laws	34	28		28	100%	
●	2.4	# of District Residents Receiving Financial Literacy Training and Information	835	700		1746	249.43%	AGENCY FINANCIAL OPERATIONS
●	3.1	% CAPCOs examined.	100%	100%		100%	100%	RISK FINANCE
●	3.2	% District residents participating in mortgage mitigation programs to avoid foreclosure	97%	85%		100%	117.65%	
●	3.3	% of DC based investment firms examined annually	100%	95%		100%	105.26%	SECURITIES PROGRAM
●	3.4	% of Banking Complaints Resolved w/n 45 days of Receipt	98%	85%		101.27%	119.15%	BANKING



		Measure Name	FY2010 YE Actual	FY2011 YE Target	FY2011 YE Revised Target	FY2011 YE Actual	FY2011 YE Rating	Budget Program
●	3.5	# of Payday Loans Establishments Operating in the District	0	0				
●	3.6	# of Captive Insurance Co. Applications processed w/n 30 Days of Receipt	100	100				RISK FINANCE
●	3.7	% of Financial Examinations completed annually on Captive Insurance Cos.	100%	100%		100%	100%	RISK FINANCE
●	3.8	% Of Security Notice Filings processed w/n 30 Days of Receipt	53%	90%		99.05%	110.06%	SECURITIES PROGRAM
●	4.1	# of District residents without health insurance	70,000	70,000				AGENCY FINANCIAL OPERATIONS
Office of the Commissioner								
●	1.1	# of customers receiving financial literacy training and consumer protection information.	0	700		1746	249.43%	AGENCY MANANGEMENT PROGRAM
●		# of DC residents receiving literacy training						
●	1.2	% of subgrantee's budget spent on programmatic costs	0	65%				AGENCY MANANGEMENT PROGRAM
●	1.3	% of scheduled monitoring reports as defined in agency monitoring plan completed for each grant award	0	100%				AGENCY MANANGEMENT PROGRAM
Insurance Bureau								
●	1.1	% of rate and form filings approved, accepted or rejected within 30 dyas of receipt	92	95%		94.73%	99.71%	INSURANCE PROGRAM
●	2.1	% of written Insurance complaints resolved within 45 days of receipt	96	90%		100.16%	111.28%	INSURANCE PROGRAM



		Measure Name	FY2010 YE Actual	FY2011 YE Target	FY2011 YE Revised Target	FY2011 YE Actual	FY2011 YE Rating	Budget Program
Banking Bureau								
●	1.1	% of DC Residents in foreclosure who participated in the DISB Mortgage Foreclosure Mediation and Mitigation Program	97%	85%		100%	117.65%	BANKING
●	1.2	% of written complaints resolved within 45 days of receipt	98%	85%		101.27%	119.15%	BANKING
Securities Bureau								
●	1.1	% of DC based investment firms examined for compliance within 12 months	92%	90%		100%	111.11%	SECURITIES PROGRAM
●	1.2	% of securities notice filings processed within 30 days	53%	90%		99.05%	110.06%	SECURITIES PROGRAM
●	1.3	# of District residents receiving financial literacy training and consumer protection information	831	700		1746	249.43%	SECURITIES PROGRAM
Enforcement and Investigations Bureau								
●	1.1	% of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures	100%	90%		100%	111.11%	Enforcement Program
●	1.2	# of District residents receiving financial literacy training and consumer protection information	831	700		1746	249.43%	Enforcement Program
●	1.3	# of proactive undercover investigations of financial services entities to ensure regulatory compliance	0	4		4	100%	Enforcement Program
Risk Finance Bureau								
●	1.1	% of CAPCOs examined annually	100%	100%		100%	100%	RISK FINANCE



		Measure Name	FY2010 YE Actual	FY2011 YE Target	FY2011 YE Revised Target	FY2011 YE Actual	FY2011 YE Rating	Budget Program
●	1.2	% of Captive Insurance Company applications processed within 30 days of receipt	100%	100%		100%	100%	RISK FINANCE
●	1.3	% of financial examinations completed annually on Captive Insurance Companies	100%	100%		100%	100%	RISK FINANCE