



Department of Insurance, Securities and Banking DISB (SRO)

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.

ACCOMPLISHMENTS

- ✓ **INSURANCE RATE AND FORM FILINGS** – Now available on DISB web site. The department enhanced the transparency of our health insurance rate review process by adding the iRATE database which allows the public to see health insurance premium rates currently under review. There, the public can see recently filed rate changes and provide comments before the department’s actuaries render their opinion on the filings. Also, requests for insurance policy form and rate filings were the most frequently-requested Freedom of Information Act (FOIA) topic for the department in 2014. The department now offers the public a more streamlined, consumer-friendly way to access all rate and form filings directly over the internet.

- ✓ **Regulations to expand the State Small Business Credit Initiative. CROWDFUNDING** – In April of 2012, Congress enacted the JOBS Act, Title III of which authorized the use of Crowd funding, the new internet fundraising process for securities offerings for small businesses. In response to that development, DISB is developing a similar funding program for DC businesses that need access to capital. Our objective is to provide DC small and start-up business with a streamlined, cost-effective alternative to existing methods of raising capital, while maintaining adequate consumer protections. The proposed method of funding will be available only to DC-based businesses, and the offerings must be in compliance with the limitations on intrastate offerings under the federal Securities Act of 1933 and the implementing regulations. In addition, the business entity must be organized under DC law, must have its principal place of business in the District, and the securities may be offered only to District residents. The final Crowdfunding regulations were effective in October, and DISB prepared an application and instructions to assist small businesses with this new program.

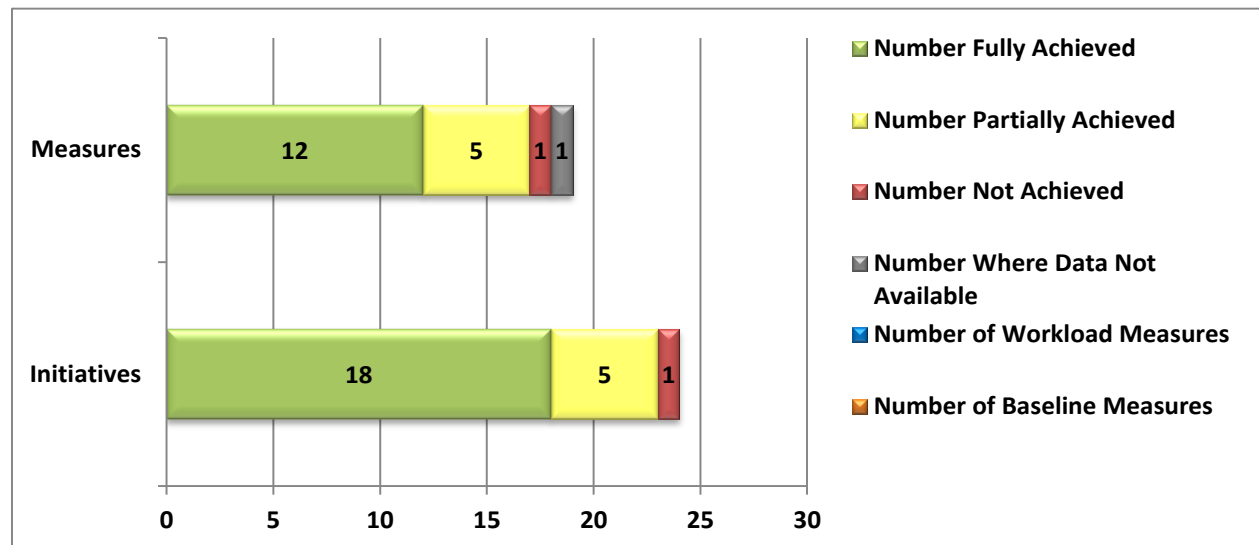


- ✓ **DISB is developing a similar funding program for DC businesses. SSBCI-** DISB recently received approval to expand “The State Small Business Credit Initiative (“SSBCI”) to implement two new programs, (i) Loan Participation and (ii) DC Innovation Finance and to combine the programs’ regulations in one place with the existing Collateral Support Program’s regulations. These programs will do the following: Under the Loan Participation Program, the District will purchase participation interests in loans made by financial institutions to District small businesses in order to curtail short-term cash flow problems or compensate for a lack of equity or collateral resources. In the DC Innovation Finance Program, capital will be provided to non-traditional commercial financial institutions that will, in turn, co-invest in District small businesses seeking innovative financing as an alternate to traditional commercial financing. The proposed DC Innovation Finance Program is designed to serve those businesses who do not meet the traditional underwriting criteria of commercial banks. Treasury approved DISB’s application on September 9th. DISB is currently finalizing its internal procedures for the Loan Participation Program, and will be ready to begin accepting applications for this program later this month. We plan to launch the Innovative Finance Program later this year. DISB continues to provide assistance to District-based small businesses through the Collateral Support Program.

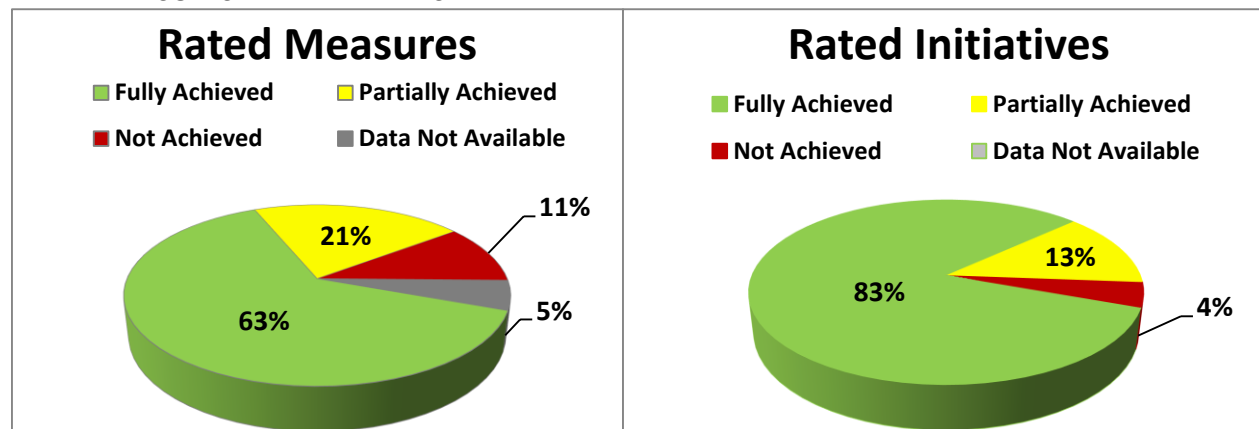


OVERVIEW AGENCY PERFORMANCE

TOTAL MEASURES AND INITIATIVES



RATED MEASURES AND INITIATIVES



Note: Workload and Baseline Measurements are not included

| Default KPI Rating: | |
|---------------------|--------------------|
| $\geq 100\%$ | Fully Achieved |
| 75 - 99.99% | Partially Achieved |
| $< 75\%$ | Not Achieved |



Performance Initiatives – Assessment Details

Performance Assessment Key:

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

Agency Management

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.

- **Fully achieved.** Representatives from the Office of the Commissioner and the Insurance, Securities and Banking bureaus regularly attended and actively participated in industry conferences, meetings, committees and working groups, including the National Association of Insurance Commissioners, the Conference of State Bank Supervisors and the North American Securities Administrators Association.

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

- **Fully achieved.** Compliance Analysis staff routinely assess online seminars, peer regulators and various research sources for best practices and improvements to DISB processes.

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.

- **Fully achieved.** This year was the first full year that Bank on DC was a part of DISB. Bank on DC and the office of communications collaborated successfully this year to reach more residents through a variety of combined financial literacy and consumer protection efforts. We also had more speaking engagements than estimated.

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

- **Fully achieved.** In FY 2014 the Department issued two Notices of Proposed Revocations to Insurance Producers. Hearings were requested in both matters and were resolved in a timely manner; proposed orders were issued within 60 days.

OBJECTIVE 3: Establish an agency regulatory strategy based on an understanding of integrated financial services developed through relationships with national to broaden sources of information.

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

- **Fully achieved.** The Director of Securities Examinations coordinates reports from the three other financial examinations teams (insurance, securities, and banking) to review for trends across industry lines and reports up to the Deputy Commissioner for Compliance. The Chief Examiners also report up to their respective Associate Commissioners.



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

- **Fully achieved.** DISB staff regularly attends and participate in industry-specific conference and working groups. Staff also collaborates with industry, other government agencies and law enforcement, and other regulators to enhance skills and knowledge of specific areas and improve effectiveness.

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

- **Fully achieved** - The Commissioner, Deputy Commissioners and DISB managers were active participants in all of the international committees and working groups of the National Association of Insurance Commissioners. DISB representatives also attended meetings of the Federal Insurance Office, which focuses on international insurance issues, and also kept abreast of the international insurance work of the International Association of Insurance Supervisors.

Banking Bureau

OBJECTIVE 1: Improve consumer confidence

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

- **Fully achieved.** The Foreclosure Mediation Program continues to assist homeowners in the District by providing a structured, supervised forum where homeowners and their lenders meet and discuss al... [incomplete].

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).

- **Partially achieved.** During FY 2014 the Banking Examination Division was separated into two units: Depositor and MSB Examinations and the Non-Depository Examination Division. The supervisory non-depository examiner is now combining aspects of the CFPB Manual and the CSBS Manual, while incorporating District laws into the examination process. However; due to limited staff availability during FY 2014, this initiative was only partially achieved.

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

- **Fully achieved.** The non-depository examination team accomplished this initiative by participating in at least two multi--state examinations for mortgage lenders/services. The examination team participated examinations of American Advisory Group and One Reverse Mortgage. Both examinations were completed in 4th quarter FY 2014.

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.

- **Fully achieved.** In FY 2014, DISB continued to implement the SSBCI program by shifting the focus to the D.C. Collateral Support Program. Under the collateral program DISB provides a pledged asset (Cash Collateral Account) to an enrolled lender to enhance the collateral of a small business borrower that is otherwise qualified but unable to meet the lender's collateral security requirements. To date, the SSBCI program has distributed 73% of the first tranche of its allocation.



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

INITIATIVE 3.1: Collaborate with the District, financial institutions and non-profits whose mission is to provide greater access to affordable financial services, products, and financial education.

- **Fully achieved.** In FY 2014, the Bank on DC program opened over 990 accounts for unbanked and under-banked District residents.

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.

- **Partially achieved.** In April, Bank on DC launched a partnership with the District Department of the Environment, the Office of Planning to promote the "Do it for DC" Challenge. The program works District residents to help formulate personalized plans to lower their cost of living by \$2,000 and reduce their carbon footprint by one-third. As part of DISB's promotional efforts, landing pages were created on both the Bank on DC and OP websites to increase online traffic and advertise this sustainable initiative. As of August 2014, Bank on DC has spearheaded coordination efforts with ZipCar, Car2Go, Hertz

Compliance Analysis Division

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.

- **Partially achieved.** In FY 2014 the analysis staff was down by two-thirds and the manager position remained vacant. The analyst staff and consumer services staff collaborated in identifying unfair trade practices in each industry sector that do not represent "best practices". The division continues to analyze issues and collaborate with the bureaus and communications office on issues. The division reviews complaint ratios for analysis, licensee complaint handling procedures and internal company policies regarding handling of consumer complaints. Our KPI targets for FY2014 were insurance 95%, achieved 98.2%; banking 100%, actual 97.8%; and securities 80%, actual 103%. During FY2014 the division analyzed the potential effect on consumers of new market developments including ridesharing, revised FEMA flood plain maps, long term care insurance, lender placed insurance, payday lending, the mortgage provisions of the Ocwen nationwide settlement and fee forgiveness. We proposed disciplinary measures in the case of a health insurer that denied payment of claims due to "fee forgiveness" practices of the medical provider but discovered that case law in the District of Columbia supports the insurer's position. We feel that this represents a regulatory gap. We also identified regulatory gaps related to lender placed insurance and continue to participate in the Federal Housing Finance Agency's working group to address the gap. We analyzed a request by a lender and an LPI insurer to engage in exclusive contracts for the placement of lender placed insurance. In the area of health insurance, each year DISB will certify the health insurers who sell in DC. We developed criteria we will use to evaluate health insurance plans in future years and identified several issues that we will pro-actively monitor on a continuing basis. We did not develop a schedule of fines but we did update the proposed schedule that had been developed the previous year.



Enforcement and Consumer Protection Division

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.

Fully achieved. The division initiated a new referral protocol with federal regulators and non-profit, anti-fraud organizations relative to the receipt of referrals pertaining to suspected securities fraud activity in the District of Columbia. The referrals, which were issues of a local nature and not worthy of national enforcement attention, improved the anti-fraud program by expanding the department's collaboration with new sources of referrals, such as the Securities Exchange Commission, and the North American Securities Administrators Association. Based on the new protocol, additional investigations have been initiated by the division regarding investment scams and "False Front" business entities, which falsely portray themselves on the internet, as a legitimate investment company with the backing of a known government entity utilizing appropriate government logos. In addition, the division took another step in improving its anti-fraud program by establishing a working relationship with the D.C. Financial Crimes Task Force, which is sponsored by the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of the Treasury. The task force reviews Suspicious Activity Reports (SARS) generated by the financial industry in the D.C. metropolitan area, as required by the Bank Secrecy Act, relative to suspicious money movements and transactions by financial businesses and individuals suspected of regulatory and/or criminal violations. As the financial regulator in the District of Columbia, the department's participation in the task force's activities has increased the number of the division's financial enforcement cases, relating to illegal and unlicensed money transmitters.

OBJECTIVE 2: Protect DC Residents

INITIATIVE 2.1: Improve the current insurance producer (agent) investigation

Partially achieved, due to the limited resources within the division to conduct proactive, surveillance, enforcement activities. However, the insurance producer (agent) investigation and enforcement referral program showed an improvement for FY 2014. The statistics reflect that in comparison to the previous fiscal year, there was a 92% increase in the actions of the enforcement/regulatory program, and an increase of 344% in the number of background searches conducted for the department's bureaus relating to licensing applicants and financial examination activities.

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.

Fully achieved. DISB worked with outside consultants, through the federal rate review grant, to develop legislation to enhance the regulatory oversight of health insurance in the District, including provisions to allow DISB to enforce provisions of the ACA and restricting the use of unregulated self-insured plans in the DC small group health market. DISB also developed two bulletins that clarified requirements for the sale of supplemental health insurance products and identified proper alternative mechanisms for insuring small groups in the District.



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.

- **Fully achieved.** This objective has been fully achieved. DISB has now provided direct access through our web site to the most commonly requested FOIA information – documentation on insurance rate and form filings. This makes it easier for the public to access the information and greatly reduces the amount of time DISB staffs spends on administering and fulfilling what can be onerous requests for information. DISB also has implemented a process to provide consumer friendly information about ACA rate filings to the public.

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

INITIATIVE 3.1: DISB began regulating title insurance in 2011.

- **Partially achieved.** DISB has begun the market conduct examination of the rates used by title insurers in the District. Due to resistance to the examination by title insurers, the examination is taking longer than originally anticipated.

Market Examination Division

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.

- **Fully achieved.** All Switched firm are examined and completed. In FY 14, the Division completed 6 routine examinations and 6 Target examinations. The implementation of the new Nemo software is completed with the rules and regulations of DC Securities Act of 2000 and it is fully functioning.

Risk Finance Bureau

OBJECTIVE 1: Ensure the solvency of captive insurers domiciled in the District.

INITIATIVE 1.1(A)(B): Evaluate and complete examinations on captive insurance companies domiciled in the District of Columbia.

- **Fully achieved.** The Risk Finance Bureau planned to complete the financial examinations of 10 captive insurance companies, and all 10 of the examinations were completed as planned. The FY 14 KPIs for the Captive Insurance Program were (1) the percentage of captive insurance company applications processed within 30 days of receipt; and (2) the percentage of captive insurance financial examinations completed. The KPI results were 100% for both measures.

Securities Bureau

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.

- **Fully achieved.** In FY 2014 DISB offered an online workplace financial literacy initiative; Financial Fitness Challenge, in collaboration with DMPED cluster agencies, DCHR and the general public that attracted 133 69% of employees have made or intend to make changes financially with a 40% improvement in taking advantage of retirement and insurance benefits at work. 33% improvement in employees that have a written financial plan and 20 % improvement of those that are now setting aside more of their income toward savings. We provided curriculum development and training services for the Your Money Your Goals Financial Empowerment Project-a national pilot program sponsored by the Consumer Financial Protection Bureau, DC Department of Human Services and Bank on DC. 160 case managers received financial capability training as a tool to enhance the personal finances of social services recipients throughout the city. DISB also participated in the



Banking On Our Future Youth Financial Literacy initiative in partnership with Operation Hope and DC Public Schools. Over 200 students at Dunbar and HD Woodson Senior High Schools were provided financial literacy education In addition agency staff served on the DC Financial Literacy Council which completed its annual report with recommendations for the Mayor and City Council and secured publication assistance from the Richmond Federal Reserve Board Finally, DISB was successful in producing 27 senior financial fraud prevention presentations which attracted 1,009 attendees in partnership with U.S. Attorney's Office-DC, AARP Legal Counsel For the Elderly, DC Office on Aging Senior Wellness centers, AARP Neighborhood chapters and other stakeholders.

INITIATIVE 1.2: Renew the framework for cooperation and dialogue between state securities regulators and state insurance regulators.

- **Not achieved.** This initiative was suspended in FY 2014, because the primary NAIC contact was reassigned within his agency in Iowa.

INITIATIVE 1.3: Increase the level of electronic submission of required filings.

- **Partially achieved.** We are preparing forth implementation of the NASAA State Portal for Form D filings (used for Regulation D filings with the SEC); that will come on line by the end of January 2015. That will increase the percentage of electronic CFD filings to about 72 percent. In addition, the enhancements we are adding to the STAR system will make e-filing more attractive to some of the remaining filers of paper Form NF's.



Key Performance Indicators – Details

Performance Assessment Key:

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

| | KPI | Measure Name | FY 2013 YE Actual | FY 2014 YE Target | FY 2014 YE Revised Target | FY 2014 YE Actual | FY 2014 YE Rating | Budget Program | |
|------------------------------------|-----|--------------|---|-------------------------|------------------------------------|-------------------------|-------------------------|-------------------|---------------------|
| Securities Bureau | | | | | | | | | |
| | ● | 1.1 | % of securities notice filings processed with 30 days | 98.91% | 85% | | 98.68% | 116.10% | SECURITIES PROGRAM |
| | ● | 1.2 | % of Broker-dealer and investment advisor firm licenses processed within 30 days of receipt | 99.47% | 95% | | 99.41% | 104.64% | SECURITIES PROGRAM |
| Market Examination Division | | | | | | | | | |
| | ● | 1.1 | % of DC based investment firms examined for compliance within 12 | 100% | 85% | | 75.31% | 88.31% | MARKET EXAMINATIONS |
| | ● | 1.2 | % of Non-deposit financial institutions examined | 100% | 85% | | 82.8% | 97.41% | BANKING |
| | ● | 1.3 | % of Domestic insurance company financial analyses completed | 100% | 85% | | 90.48% | 106.44% | INSURANCE PROGRAM |



| | KPI | Measure Name | FY 2013 YE Actual | FY 2014 YE Target | FY 2014 YE Revised Target | FY 2014 YE Actual | FY 2014 YE Rating | Budget Program | |
|---|-----|--------------|---|-------------------------|------------------------------------|-------------------------|-------------------------|-------------------|---------------------|
| Enforcement and Consumer Protection Division | | | | | | | | | |
| | ● | 1.1 | % of open investigative cases reviewed with 90 days of correctness and compliance with investigative procedures | 100% | 95% | | 100% | 111.11% | Enforcement Program |
| | ● | 1.2 | % of insurance producer enforcement investigations completed within 60 days. | 100% | 85% | | 94.44% | 111.11% | Enforcement Program |
| Compliance Analysis Division | | | | | | | | | |
| | ● | 1.1 | % of written Banking complaints resolved within 45 days of receipt | 103.32% | 100% | | 97.98% | 97.98% | COMPLIANCE ANALYSIS |
| | ● | 1.2 | % of written Insurance complaints resolved within 45 days of receipt | 100% | 95% | | 98.12% | 103.29% | COMPLIANCE ANALYSIS |
| | ● | 1.3 | % of written Securities complaints resolved within 60 days of receipt. | 33.0% | 80% | | 100% | 125% | COMPLIANCE ANALYSIS |
| Banking Bureau | | | | | | | | | |
| | ● | 1.1 | % of foreclosure mediations completed within the time required by the Saving DC Homes from Foreclosure Act of 2010 and its implementing rules | 100% | 95% | | 100% | 105.26% | BANKING |
| | ● | 2.1 | % of the first tranche of SSBCI dollars disbursed in 5 business days | 13.89% | 80% | | 58.16% | 72.69% | BANKING |



| | KPI | Measure Name | FY 2013 YE Actual | FY 2014 YE Target | FY 2014 YE Revised Target | FY 2014 YE Actual | FY 2014 YE Rating | Budget Program |
|--|-----|---|-------------------------|-------------------------|------------------------------------|-------------------------|-------------------------|-----------------------------------|
| ● | 2.2 | Of remaining CAPCO funds invested in Qualified Businesses | 20% | 20% | | NA ⁱ | NA | BANKING |
| ● | 3.1 | # of accounts opened through Bank on DC | 662 | 500 | | 991 | 198.2% | BANKING |
| Agency Management/ Office of the Commissioner | | | | | | | | |
| ● | 2.1 | # of consumers receiving financial literacy training and consumer protection information | 2317 | 1000 | | 7153 | 715.30% | AGENCY MANAGE- MENT PROGRAM |
| ● | 2.2 | # of Insurance Producer administrative hearings completed and proposed final orders issued within 60 days | 21 | 18 | | 18 | 100% | AGENCY MANAGE- MENT PROGRAM |
| ● | 3.1 | % of grant budget spent on programmatic costs of SSB CI | 56% | 80% | | 68.7% | 85% | BANKING |
| ● | 3.2 | # of initiatives to increase financial services activities | 3 | 3 | 3 | 3 | 100% | AGENCY MANAGE- MENT PROGRAM |
| ● | 3.3 | Change in amount of gross revenue from all sources (3% annual increase) | \$120,089,173 | \$118,094,020 | \$123,691,848 | \$121,859,842 | 98.52% | AGENCY FINANCIAL OPERATIONS |

ⁱ The disbursement of the CAPCO funds in FY14 was dependent on legislative action to amend the CAPCO law. The DISB's proposed amendment to the CAPCO law did not move forward in FY14. The agency plans to propose the amendment in FY15.