



Department of Insurance, Securities and Banking (DISB) – SRO

Chester A. McPherson, Acting Commissioner

801 First St, NE Suite 701

Washington, DC 20002

(202) 727-8000

<http://disb.dc.gov/>

Central Purpose

DISB regulates the District of Columbia financial-service businesses by administering the city's insurance, securities and banking laws, rules and regulations. The mission of the DISB is two-fold: (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.

Key Facts

- DISB was formed in 2004 through the merger of Department of Banking and Financial Institutions and the Department of Insurance and Securities Regulation.
- The agency oversees the following financial entities: insurance companies, insurance producers (agents), health maintenance organizations (HMOs), captive insurance companies, risk retention groups, investment advisers, investment adviser representatives, broker-dealers, broker-dealer agents, securities issuers, agents of issuers, banks, mortgage lenders and brokers, check cashers, money transmitters, consumer-sales-finance companies, money lenders and consumer-credit-service organizations.
- DISB has nine divisions: insurance, securities, enforcement, banking, risk finance, market examinations, compliance analysis, agency management and agency financial operations. DISB regulates more than 1,300 insurance companies and licenses more than 74,000 and 130,000 insurance and securities professionals, respectively. DISB also regulates the District's two D.C.-chartered banks, Industrial Bank and Bank of Georgetown, and licenses both depository and non-depositories financial services companies and

individuals operating in the District. This includes more than 2,000 mortgage loan originators, nearly 1,000 mortgage brokers as well as check cashers, money transmitters, money lenders and consumer sales financial companies. DISB also handles insurance and financial services complaints from residents, investigates financial fraud and provides financial education resources to the District community.

- DISB is an O-Type revenue-generating agency that contributes on average \$100 million dollars to the District's general fund each fiscal year. The majority of those funds are from the premium taxes of the insurance companies we regulate and fees from the companies and individuals DISB licenses to do business in the District.

Goals/Performance Measures

Enhance consumer financial education in the District.

- Engage in comprehensive efforts to provide financial literacy to the residents of the District of Columbia.
- Promote expert speakers on consumer finance topics to speak at community events.
- Publish financial capability resources and consumer guides on financial services topics.
- Partner with other District Government agencies and public and private organizations to expand our financial literacy efforts.

Implement the access to capital initiatives to assist District-based businesses with their efforts to obtain equity investments, loans, lines of credit, working capital, collateral support and other financing arrangements.

- Administer, manage and market the D.C. State Small Business Credit Initiative (SSBCI) programs.

- Use 100% of first tranche of SSBCI funds for District businesses.

Improve consumer confidence through programs and activities that increase transparency in the financial markets and provide for protection of consumers of non-depository financial products.

- Administer, manage, and market the foreclosure mediation program as per the “Saving DC Homes from Foreclosure Act; schedule and complete steps of 95% of foreclosure mediations within the required timeframes.
- Administer the examination process for mortgage lenders and brokers in accordance with the Mortgage Lenders and Brokers Act and improve the quality and quantity of examination reports.
- Reach 80% completed mark for mortgage lender and broker licenses and requests approved or declined within 60 days and examine 50% of mortgage lender and broker licensees.
- Complete full transfer of District non-depositories to the paperless Nationwide Mortgage Licensing System (NMLS).

Encourage the expansion of banking and non-depository services available to District of Columbia residents and businesses.

- Decrease the number of “unbanked” and “underbanked” households in D.C. by promoting the Bank on DC accounts at local banks and credit unions.
- Use Bank on DC as a tool to increase access to car-sharing and bike-sharing programs for low-income families and underserved populations.
- Complete a survey of the unbanked and under-banked population in the District of Columbia to obtain more demographic information and primary reasons why households are not using the traditional banking system.

Increase the affordability and availability of health insurance coverage by carefully reviewing health

insurance rate filings (Age-Friendly DC Goal: Domain # 8).

- Implement the additional tools obtained through the Rate Review Grant for the review of health insurance rates in the District.
- Continue and enhance the published insurance rate filings and other frequently requested insurance bureau documents on the DISB website.
- Complete review of GHMSI 2011 surplus and implement a process for future rate reviews.

Strengthen the regulation of title insurance in the District of Columbia.

- Complete the examination of title insurers operating in the District, and propose statutory amendments or regulations to ensure that title insurance rates are adequate, not excessive or unfairly discriminatory.

Ensure the solvency of captive insurers domiciled in the District.

- Evaluate and complete financial analyses on 100% of captive risk retention groups domiciled in the District.
- Process 100% of captive insurance company applications within 30 days.

Protect consumers by administering effectively the legally applicable standards for market entry in to the District’s securities market and the market for investments in the District.

- Provide investor protection information to D.C. residents especially older residents who are targets for financial fraud (Age-Friendly DC Goal: Domains # 7, 8, 10).
- Increase the capability of the STAR system to handle internet queries regarding the status of filings.
- Process 85% of securities notice filings and 95% of broker-dealer and investment adviser firm licenses within 30 days of receipt.

Enhance the consumer protection of the residents of the District of Columbia and protect them financial from fraud (Age-Friendly DC Goal: Domain # 10)

- Enhance regulatory compliance enforcement by continuing to partner with federal regulators and law enforcement agencies.
- Protect consumers through ensuring compliance with insurance, securities and banking laws, rules and regulations, including the federal Dodd-Frank Act.
- 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.
- Conduct seminars and provide information to educate consumers on the signs of financial fraud
- Complete 85% of background checks within seven days of receipt
- Complete 90% of insurance producer enforcement investigations within 90 days.
- Review 95% of investigative cases for correctness and compliance with investigative procedures within 90 days of receipt

Programs/Services

- **Complaints:** DISB helps consumers get answers from financial companies, resolve disputes and, in some cases, recover money by resolving complaints.
- **Consumer protection and enforcement:** DISB conducts fraud detection, investigation and prosecution using administrative, civil and criminal referral enforcement actions against those that would defraud District residents.
- **Licenses:** Residents can check with us to see if their financial services or insurance providers are licensed or registered to do business in the District.
- **Health insurance rate filings:** DISB discloses all District health insurance rates and filings online for residents and businesses to review.
- **Foreclosure mediation:** DISB administers the District’s Foreclosure Mediation Program where homeowners facing foreclosure can meet one-on-one with lenders to consider alternatives to foreclosure.
- **Bank on DC:** DISB is home to the Bank on DC program which provides financial education and access to mainstream financial services

throughout the D.C. Metro region, helping thousands avoid expensive check cashing fees, save money and build their financial future.

- **Small business and economic development programs:** DISB administers programs that facilitate access to capital and collateral support for District small businesses including the D.C. Collateral Support Program (part of the U.S. State Small Business Credit Initiative).
- **Consumer information:** DISB offers a wide variety of financial and insurance information for consumers on its website and through hundreds of in-person community presentations throughout the year. We also provide access to personal financial education and consumer protection tools to enhance the financial capability of District residents.

First Quarter CY2015 Hot Button Issue(s)

[REDACTED]

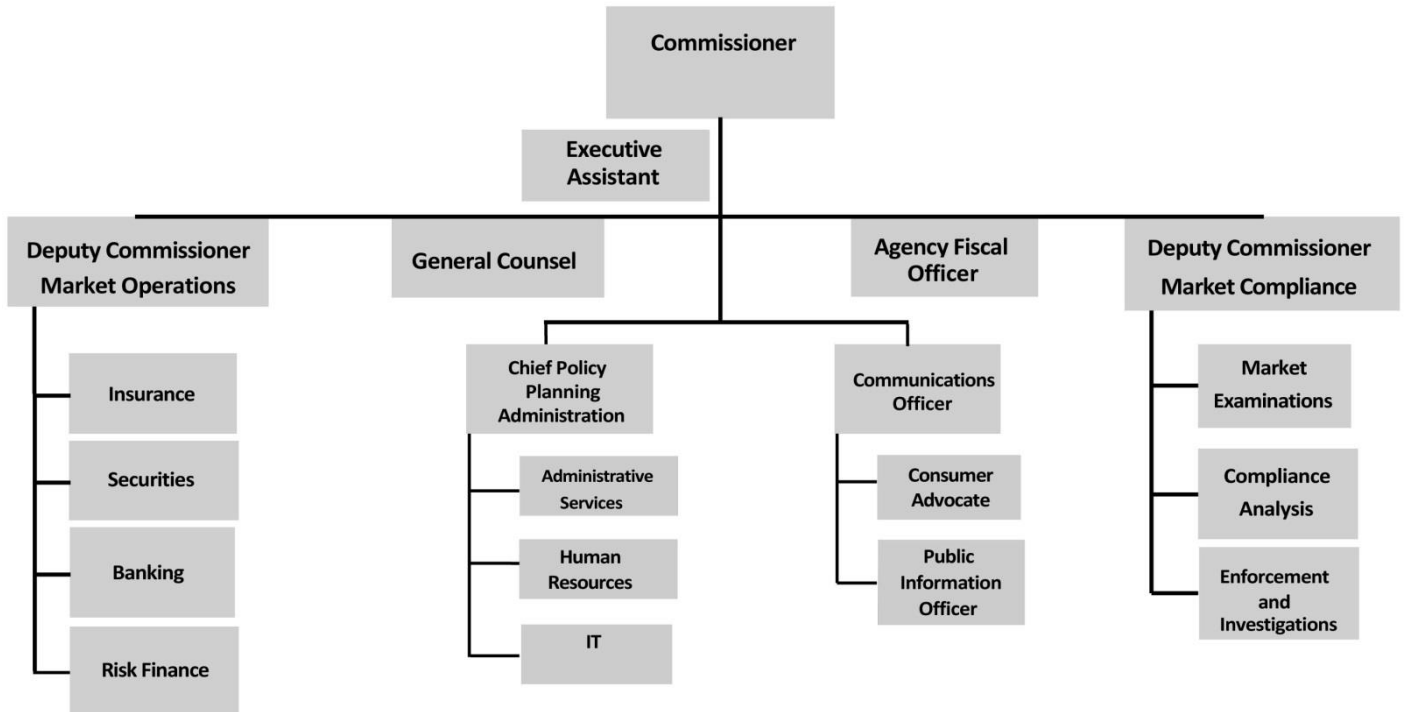
- [REDACTED]

- DISB is preparing to launch the Loan Participation and Innovative Finance programs to provide

capital to District-based businesses that may not currently be able to obtain traditional forms of business funding.

- DISB is working on an application to become an accredited member of the Conference of State Bank Supervisors. DISB intends to submit the application to CSBS in early November 2014. CSBS will visit DISB to review our banking laws and regulations, policies and procedures, and banking staff. We are hoping to be accredited by CSBS by March 31, 2015.

Organization Chart



Boards and Commissions relevant to the agency (if any)

Board Name	Name of Chairperson	No. of Members
Board of the DC Health Benefit Exchange Authority	Diane C. Lewis	9
Washington, DC Economic Partnership	Jeff Miller and Richard Lake	33
Financial Literacy Council	Tamara Haye Daufour	8
Motor Vehicle Theft Prevention Commission	Andrew Fois	8
Interagency Coordinating Council	Almo J. Carter	21

Budget FY2015

Total Budget	\$ 22,117,944
--------------	---------------

No. of Employees

Current No. of FTEs	149.6
---------------------	-------

Union Representation

Union(s)	Union Representative	No. of Members
American Federation of Government Employees (AFGE), Local 1403	[REDACTED]	4
American Federation of State, County & Municipal Employees (AFSCME) District Council 20	[REDACTED]	75

Facility Location(s)

Facility Name / ID	Address	Zip Code	Ward	Main Phone No.
DISB Office	810 First Street, NE, Suite 701	20002	6	(202) 727-8000

Key Projects/Initiatives

Project/Initiative Name	Brief Description	Delivery Date
Crowdfunding Initiative	DISB expects to finalize regulations that will allow District-based businesses to raise capital of up to \$2 million from District residents. The crowdfunding regulations streamline the traditional securities registration process, making it more cost effective for small businesses to raise capital.	November 2014
Revised Disaster Response Plan	The DRP is designed to guide DISB employees in the operation of the agency's core functions during a disaster, and to achieve an orderly recovery from disaster situations across a wide range of emergencies or threats.	December 2014
Group Hospitalization and Medical Services, Inc. (CareFirst) – Surplus Review	DISB is currently reviewing GHMSI's surplus to (1) determine if it is greater than the appropriate risk-based capital requirement, and (2) determine whether the company's surplus is excessive and inconsistent with the company's obligation to engage in community health reinvestment to the maximum extent feasible, consistent with financial soundness and efficiency.	December 2014

Project/Initiative Name	Brief Description	Delivery Date
Group Hospitalization and Medical Services, Inc. (CareFirst) – Financial Examination	DISB is currently conducting a financial examination of GHMSI to determine whether it is in compliance with the District’s insurance laws and regulations.	December 2014
Examination of Title Insurers	DISB started regulating title insurance rates in 2011. Title insurance is different from most forms of insurance that DISB regulates in that it provides protection for things that happened in the past rather than losses that happen in the future. Because of its unique nature, relative to other types of insurance, claims are very low (less than 10% of premiums compared to 60%-90% for most insurance), and most of the expenses are incurred by the title producers rather than the insurers. Our attempts to determine the appropriateness of the title insurance rates have been stymied by the lack of data provide by the insurers. We initiated a joint market conduct examination of all of the title insurers (20) licensed in DC to determine whether title insurance rates are inadequate, excessive or unfairly discriminatory.	December 2014
State Small Business Credit Initiative	DISB is preparing to launch the Loan Participation and Innovative Finance programs to provide capital to District-based businesses that may not currently be able to obtain traditional forms of business funding.	December 2014 (Loan Participation) April 2015 (Innovative Finance)
Conference of State Bank Supervisors (CSBS) Accreditation	DISB is working on an application to become an accredited member of the Conference of State Bank Supervisors. DISB intends to submit the application to CSBS in early November 2014. CSBS will visit DISB to review our banking laws and regulations, policies and procedures, and banking staff. We are hoping to be accredited by CSBS by March 31, 2015.	March 2015
Health Insurance Rate Review – 2016 Plan Year	DISB is required to review health insurance rates and policy forms each year to ensure that the forms provide the required coverages, and the rates are not inadequate, excessive or unfairly discriminatory. Once DISB approves the insurance rates and forms, they are transmitted to the HBX where they are posted on DC Health Link.	August 2015
Bank on DC/SSBCI Survey	DISB will design and distribute a District-wide survey to determine the reasons why (1) certain District residents are unbanked or under banked; and (2) small businesses are experiencing difficulty obtaining capital. DISB will use the results of the survey to focus the efforts of the agency’s Bank on DC and SSBCI programs. This project will save consumers money by giving them a wider choice of banking options at more affordable prices. And it will assist the small businesses in their efforts to obtain capital for expansion and job creation.	September 2015

Project/Initiative Name	Brief Description	Delivery Date
National Association of Insurance Commissioners Accreditation Review	The NAIC accredits state insurance departments to ensure minimum and uniform regulatory standards. The District has been accredited since 1996. Every five years the NAIC reviews the DISB's insurance financial analysis and examination process to determine if DISB is following its laws and regulations, and NAIC procedures.	October 2015

Capital Program(s)

Project Name	Budget ID	Funding Source	Project Budget	Current Balance	Delivery Date
N/A			\$	\$	

Important/Significant Dates

Event	Brief Description	Delivery Date
FOIA Annual Report	DISB is required to prepare and submit an annual report of its FOIA activity for FY14.	December 2014
District Government – Group Health and Hospital Medical Services, Inc. (GHMSI) Public – Private Partnership Agreement	Section 31-3505(e)(2) of the DC Code requires the District and GHMSI (aka CareFirst) to enter into a public-private partnership agreement that requires GHMSI to pay \$5 million annually to the District to fund the Alliance program administered by DHCF. The current agreement expires at the end of this year. DISB was involved in negotiating this agreement in 2010, and plans to participate in the negotiations this year.	December 2014
State Small Business Credit Initiative. Secure the Second and Third Tranches from the US Department of the Treasury	In August of 2011 DISB received a \$13.1 million grant from the US Department of the Treasury to fund the District's State Small Business Credit Initiative. DISB received the first tranche of \$4.3 million from the US Department of the Treasury, and has provided approximately \$3.1 million of collateral support to District businesses. DISB is required to spend 80% of the first tranche in order to obtain the second \$4.3 million tranche. DISB expects to be eligible for the second tranche by December 31, 2014. DISB must spend 80% of the second tranche by June 30, 2015 in order to be eligible to receive the third and final \$4.3 million tranche.	June 2015
Premium Tax Rate – Sunset Provision	Insurance companies currently pay taxes to the District equal to 2% of insurance premiums sold in the District. The tax rate was increased from 1.7% to 2.0% in Section 2183 of the Fiscal Year 2011 Budget Support Act of 2010. Section 2184 of that Act provides that the 2.0% rate shall sunset on September 30, 2015, and the rate shall revert back to the 1.7%. The sunset provision will only apply to taxes paid on insurance premiums sold on life and property and casualty insurance. Accident and Health insurance will continue to be taxed at the 2.0% rate.	September 2015

Event	Brief Description	Delivery Date
National Mortgage Licensing System Conformity Act of 2014	<p>NMLS is the licensing and registration system for non-mortgage financial services licensees and registrants including all money transmitters, money lenders, sales finance companies, retail sellers, check cashers, and non-bank automated teller machine operators. Bill 20-802 is the permanent version of emergency and temporary legislation – B20-845 and B20-846, respectively – that was approved by the Council on June 24, 2014 and enacted by the Mayor on July 10, 2014.</p> <p>During the Council’s consideration of the emergency and temporary legislation, concerns were raised about section 4(b) because it granted too much authority to the Commissioner to waive provisions of the Banking Code that were inconsistent with NMLS. To address these concerns, section 4(b) was amended to make clear that the Commissioner can only waive provisions of the Banking Code solely for the purposes of and as needed for participating in the NMLS. Furthermore, section 4(b) would sunset two years after the effective date of the act. The two-year sunset provision allows the Department time to re-write the Banking Code to properly implement NMLS.</p>	April 2017

Key Contracts

Project Name	Vendor Name	Total Contract Value	Contract Term
Housing Counselors	Housing Counselors Services	\$2,925,000	October 2014 to September 2016
Housing Mediators	Center for Dispute Settlement	\$15,000	October 2014 to September 2015
Housing Mediators	Smith Graham & Crump	\$15,000	October 2014 to September 2015
IT Copiers/Printing	Xerox Corporation	\$521,442	July 2014 to February 2019
Health Rate Review Consulting	NovaRest Consulting	\$393,366	October 2013 to September 2016
ACO Star System	IronData	\$45,000	October 2014 to September 2015

Key Agreement(s) / Memorandum(s) of Understanding

Project Name	Brief Description	Agreement Term
DISB and the Department of Health Care Finance (DHCF)	MOU between DISB and DHCF to assess insurers licensed by DISB to fund the Office of the Ombudsman created by the Health Benefits Plan Members Bill of Rights Act.	October 2013 to September 2014 (Will be renewed)
DISB and Office Administrative Hearings (OAH)	Amended MOU between DISB and OAH for the hearing of administrative cases under DISB’s regulatory jurisdiction in FY14.	December 2013 to September 2014 (Will be renewed)

Project Name	Brief Description	Agreement Term
DISB and North American Securities Administrators Association, Inc. (NASAA)	MOU between DISB and NASAA to promote maximum uniformity in securities regulation among state regulators.	March 2014 to No Expiration
DISB and Department of Consumer and Regulatory Affairs (DCRA)	MOU between DISB and DCRA for delegation authority to DISB to license and regulate retail sellers, sales finance companies, and consumer credit service organizations.	April 2014 to September 2015
DISB and the Health Benefit Exchange Authority (HBX)	MOA between DISB and the HBX for DISB to conduct an assessment of insurers in the District, and deposit such funds into the HBX's trust fund. The funds are used to fund the operations of the HBX.	July 2014 to September 2015
DISB and Metropolitan Police Department (MPD)	MOU between DISB and MPD to conduct fingerprinting services as authorized by the FBI for FY14.	October 2013 to September 2014 (Will be renewed)
DISB and the Health Benefit Exchange Authority (HBX)	MOU between DISB and the HBX for outreach, educational and technical training services to inform the public about the Affordable Act, DC laws, and to assist with the enrollment in health insurance plans.	August 2013 to December 2014
DISB and the National Association of Insurance Commissioners (NAIC)	MOU between DISB and NAIC for uninterrupted access to the NAIC's Data System of confidential Market Conduct Information	November 2010 to No Expiration
DISB and Consumer Financial Protection Bureau (CFPB)	MOU between DISB and CFPB for the Sharing of Information for Consumer Protection Purposes.	March 2012 to No Expiration
DISB and the Consumer Financial Protection Bureau (CFPB), the Conference of State Bank Supervisors (CSBS), and the Other Signatories	Establishes a framework for the parties to preserve the confidentiality of information obtained in the course of regulation and examination of businesses engaged in the sale of consumer financial products and services.	March 2012 to No Expiration
DISB and the Department of Treasury Financial Crimes Enforcement Network (FinCEN)	MOU between DISB and FinCEN to establish procedures for the Sharing and Exchanging of confidential Information in FY13.	August 2012 to No Expiration

Grant(s) Awarded (or Pending Award) to Agency

Grant Name	Name of Grantor	Total Grant Amount	Current Grant Balance	Grant Expiration
-------------------	------------------------	---------------------------	------------------------------	-------------------------

State Small Business Credit Initiative	United States Department of the Treasury	\$4,345,556	\$1,181,879	June 2015
Health Insurance Rate Review Phase II	United States Department of Health and Human Services	\$3,803,324	\$2,416,651	September 2015

Active Litigation(s)

Project Name	Brief Description
[REDACTED]	[REDACTED]

Consent Decree(s)

Project Name	Brief Description	Agreement Term
N/A		