

Council of the District of Columbia
Committee on Public Services and Consumer Affairs
Councilmember Yvette M. Alexander, Chair

Department of Insurance, Securities and Banking (DISB)
FY 2011 and FY 2012, to date
Performance Oversight Questions
February 23, 2012

- 1 Please provide a complete, up-to-date organizational chart for each division within the agency including and, either attached or separately, an explanation of the roles and responsibilities for each division and subdivision.

Please see [Appendix 1](#) for the up-to-date organizational chart.

Please see [Appendix 2](#) for an explanation of the roles and responsibilities for each division and subdivision.

- Please include a list of the employees (name and title) for each subdivision and the number of vacant positions.

Please see [Appendix 3](#).

- Please provide a narrative explanation of any organizational changes made during the previous year.

The Department of Insurance, Securities and Banking (hereinafter “DISB”, “Department” or “Agency”) submitted and received approval for realignment in November 2011. The realignment is part of the Agency’s strategic plan to optimize resources and support DISB efforts to develop a financial services regulatory platform for the Government of the District of Columbia (hereinafter “District”). The operations and support functions are the principal focus of the realignment with an emphasis on fostering information development and communication across industry sectors. Market Operations and Market Compliance responsibilities were established under Deputy Commissioners and the support functions under Offices in the previous structure were moved to reporting areas within the overall organizational structure. This will enable DISB to pursue key Agency

objectives of enhancing consumer protection, fostering economic development and establishing subject matter expertise. The new Market Examinations and the Compliance Analysis divisions were created pursuant to the realignment. *See, Realignment in **Appendix 1**.*

- 2 Please provide a complete, up-to-date position listing for your agency, which includes the following information:
 - Title of position
 - Name of employee or statement that the position is vacant, unfunded, or proposed.
 - Date employee began in position
 - Salary and fringe benefits, including the specific grade, series, and step of position
 - Job status (continuing/term/temporary/contract)

Please list this information by program and activity

Please see **Appendix 4**

- 3 Does the agency conduct annual performance evaluations of all its employees? Who conducts such evaluations? What steps are taken to ensure that all agency employees are meeting individual job requirements?

DISB conducts annual performance evaluations of all its employees. Evaluations are completed by each staff member's immediate manager and/or supervisor in accordance with the District-wide performance evaluation timetables. Sound and consistent management and supervision, as well as, periodic meetings, mid-year evaluations, and general management oversight by each supervisory staff member are among the steps used to ensure that all Agency employees are meeting individual job requirements.

- 4 Please list all employees detailed to or from your agency, if any. Please provide the reason for the detail, the detailed employee's date of detail, and the detailed employee's projected date of return.

There are no employees currently detailed to or from the Agency.

- 5 Please provide the Committee with:
- A list of all employees who receive cell phones, personal digital assistants, or similar communications devices at agency expense.

There are thirty (30) devices distributed to staff. These devices are primarily provided to management or essential employees. Devices are also provided to employees who perform investigative or examination functions at the offices of our licensees. The cost of the device is free and the associated annual cost is below:

Five (5) Verizon Blackberry 9650 (Annual Estimated Cost of \$3,300)

- i. Bright Ahaiwe
- ii. Chester McPherson
- iii. Margaret Schruender
- iv. Shankar Vaidyanathan
- v. Unassigned

Nineteen (19) AT&T Blackberry 9300 (Annual Estimated Cost of \$12,500)

Nineteen (19) AT&T Blackberry 9300 (Annual Estimated Cost of \$12,500)

- i. Idriys Abdullah
- ii. Lloyd Anderson
- iii. Philip Barlow
- iv. Nathaniel Brown
- v. Calvin Clark
- vi. Luther Ellis
- vii. Michelle Phipps-Evans
- viii. Thomas Glassic
- ix. Nazreth Leakemariam
- x. Gregory Marsillo
- xi. James McManus
- xii. Senayet Meaza
- xiii. Theodore Miles
- xiv. Sean O'Donnell
- xv. Stephen Perry
- xvi. Dana Sheppard
- xvii. Alicia Wade
- xviii. Christopher Weaver
- xix. William P. White

Six (6) Sprint Mobile Broadband Devices (Annual Estimated Cost of \$3,024)

Distributed to Agency staff on an as needed bases.

- A list of all vehicles owned, leased, or otherwise used by the agency and to whom the vehicle is assigned

DISB does not own or lease any vehicles; however, it currently participates in the DC Fleet Share Program, when appropriate.

- A list of employee bonuses or special award pay granted in FY11 and FY12, to date

None paid.

- A list of travel expenses, arranged by employee

Please see **Appendix 5**.

- A list of the total overtime and workman’s compensation payments paid in FY 11 and FY12, to date

Overtime Pay	Approved Budget	Actual Expenditure
FY11	\$20,950.00	\$1,985.00
FY12	\$20,950.00	\$2,648.00

Incident	FY11	FY12	Total
Workman’s Compensation	\$250.00	0	\$250.00

- 6 Please provide a chart showing your agency’s approved budget and actual spending, by division, for FY11 and FY12, to date. In addition, please describe any variance between fiscal year appropriations and actual expenditures.

Please see **Appendix 6a** for FY11.

Please see **Appendix 6b** for FY12.

- 7 Please list any reprogrammings, in or out, which occurred in FY11 or FY12, to date. For each reprogramming, please list the total amount of the reprogramming, the original purposes for which the funds were dedicated, and the reprogrammed use of funds.

Please see [Appendix 7](#).

- 8 Please provide a complete accounting for all intra-District transfers received by or transferred from the agency during FY11 or FY12, to date.

Please see [Appendix 8](#).

- 9 Please identify any special purpose revenue accounts maintained by, used by, or available for use by your agency during FY11 or FY12, to date. For each account, please list the following:
 - The revenue source name and code
 - The source of funding
 - A description of the program that generates the funds.
 - The amount of funds generated by each source or program in FY11 and FY12, to date
 - Expenditures of funds, including the purpose of each expenditure, for FY11 and FY12, to date

Please see [Appendix 9](#).

- 10 Please provide a list of all projects for which your agency currently has capital funds available. Please include the following:
 - A description of each project
 - The amount of capital funds available for each project
 - A status report on each project, including a timeframe for completion
 - Planned remaining spending on the project

[DISB does not have any projects for which any capital funds are available.](#)

- 11 Did the agency meet the objectives set forth in its performance plan for FY11? Please provide a narrative description of what actions the agency undertook to meet the key performance indicators or any reasons why such indicators were not met.

The Agency received an overall rating of “Mostly Successful Performance” in implementing its key performance indicators (KPIs) for FY11, because all but the Insurance Bureau were rated “Fully Successful Performance.” All initiatives were rated at or above 100%, except for the Agency’s “policy form and rate review filings” process which was rated at 99.71% for the FY11 period.

One major component of the Agency’s KPIs includes the annual reviews of the three certified capital companies licensed in the District. DISB started the annual reviews in FY11, but the reviews are incomplete at this time. The CAPCOs have been cooperative, but the information required to complete the annual reviews must be obtained from the businesses funded by the CAPCOs. Several of these businesses have been slow to respond to requests for information, which has caused the completion of the reviews to be delayed. DISB is working diligently to complete the reviews, and expects to have them completed by the end of March, if not sooner.

To ensure it met its KPIs, the Agency convened bi-weekly meeting with operational staff to review workload and production performances, supervisors actively reviewed workload to make sure distributed evenly, systems processing glitches were actively managed to minimize down times, and a number of process were converted from a manual to an electronic platform. A few key accomplishments are highlighted below.

- Exceeded 90% of written complaints resolved within 45 days of receipt; FY11 YE Rating was 111.28%.
- 5930 new rate and form filings were reviewed and acted upon within 30 days of receipt making available more innovative products for residents of the District in FY11.
- 1746 customers received financial literacy training and consumer protection information in FY11

- 12 What is the status of the regulations related to the “Saving D.C. Homes from Foreclosure Act of 2010”?

Final rules were published in the D.C. Register on December 30, 2011. These rules established procedural guidelines for the implementation of the Foreclosure Mediation Program created pursuant to the Act. *See* 58 DCR 11469, December 30, 2011.

- 13 Please discuss your Foreclosure Tracking, Analysis and Intervention Initiative.
- What resources does DISB currently make available to residents who are facing foreclosure?

DISB offers residents who are facing foreclosure several options:

- **The Foreclosure Mediation Program**, which was implemented as a result of the Saving D.C. Homes from Foreclosure Amendment Act of 2010, offers District residents an opportunity to meet face to face with their lenders to discuss alternatives to foreclosure, and to help keep families in their homes. A mediation certificate is required on all residential properties in order for a lender to complete foreclosure; and,
- **Foreclosure Mitigation Assistance** offers District residents several specialized remedies. DISB works directly with District residents who are facing foreclosure to address their individual foreclosure issues by providing assistance including, but not limited to, the following:
 - i. Addressing consumer complaints involving foreclosure.
 - ii. Providing the DISB Foreclosure Mitigation Kit that includes information that will assist residents working to save their homes from foreclosure.
 - iii. Speaking with a lender on behalf of the resident to help with negotiations.
 - iv. Assisting a resident with finding a HUD certified counselor to assist in obtaining a loan modification, and working with the HUD counselor to achieve a successful loss mitigation package.
 - v. Referring residents who qualify to pro-bono attorneys for assistance.
 - vi. Working with the DISB banking examination team to ensure that compliance issues discovered during the complaint process are targeted during the subsequent examinations of the entity in

question to ensure that no other resident has been exposed to similar problems.

- How many foreclosures were reported in FY11 and FY12 to date?

	Foreclosure Sale Notices*	Actual Foreclosures*
FY10	5,562	1,349
FY11	613	566
FY12	19	36

*Includes commercial foreclosures.

- What Wards and/or neighborhood are being impacted the most by foreclosure?

Historically, the highest foreclosure rates have been in Wards 4, 5, 7 and 8.

- Is the foreclosure rate improving in the District?

Since the implementation of the Saving D.C. Homes from Foreclosure Amendment Act of 2010, there has been a marked decrease in the number of foreclosures in the District. However, this trend will likely not continue. The foreclosure mediation law effectively placed a moratorium on foreclosures while the program was being developed. Now that the program is active, we expect much of the large backlog of foreclosures to be completed in 2012 and 2013.

- 14 Please provide a detailed description of your “Bank on DC” initiative.

Bank on DC is not a DISB initiative and is currently housed within the Office of the Deputy Mayor for Planning and Economic Development. Launched in April 2010, Bank on DC is a collaborative effort between the District, financial institutions and non-profits whose mission is to provide greater access to affordable financial services, products, and financial education to unbanked and under-banked households that would otherwise use check-cashers and non-traditional means of financing. DISB works with the Bank on DC project manager to help promote Bank on DC initiatives, to be involved in event planning together, and to generally maintain an ongoing working partnership. Through this collaborative effort, the number of unbanked and under-banked residents has been

reduced. To date the following has been accomplished under the Bank on DC project:

- For the period April 2010 to February 2012, 4,004 accounts have been opened, only 48 of which have since been closed.
- Through Bank on DC's marketing efforts, the program has reached approximately 400,000 District residents via television ads, social media, grassroots efforts, radio, interviews and print.
- From April 2011 to January 2012, Bank on DC taught more than 185 classes. Generally, each class is given a pre- and post-test to determine comprehension. Attendee scores range between 67- 80% on the pre-test, while post-test scores range between 91-100%.
- On January 31, 2012, Bank on DC launched the first of its kind, a new, innovative, free, online, financial platform offering access to online educational content, tools and resources geared towards serving the needs of the unbanked and under-banked. The platform is available on the Bank on DC website, www.bankondc.org under "Managing your Finances." This platform was created through a partnership among Bank on DC; the Financial Education & Literacy Advisers (FELA), a provider of consumer and financial education initiatives; and HelloWallet, a provider of technology-based, personalized financial guidance to employees of Fortune 1000 companies and other large institutions. The online initiative called "MyStartingPoint" combines FELA's expertise in designing and implementing technology enabled financial-education programs with HelloWallet's powerful money saving technologies for consumers. The end goal is to assist the unbanked and under-banked to understand the financial services they are accessing and how to use them responsibly.

At its inception the goal of Bank on DC's was to open 10,000 checking or savings accounts. Since then, the program was refocused to include providing financial educational materials thus enhancing the probability of residents maintaining their accounts, once opened.

- 15 Were there any DISB District-wide town hall meetings scheduled in FY11 and thus far in FY12? If so, please provide the locations, dates, topics of discussion, and number of attendees.

No, DISB did not host any District-wide town hall meetings in FY11. Town hall meetings are included in the Agency's work plan for FY12.

In FY11, DISB's main focus was on the timeline-driven implementation of the federal health reform law as a member of the Mayor's Health Reform Implementation Committee (HRIC). Throughout the year, several HRIC-related meetings were held in different parts of the city for different audiences. However, from July 2011 to November 2011, DISB, along with DISB's HRIC partners, hosted a series of nine Ward meetings to present information on the impact of the federal health reform law on District residents, including the formation and creation of the District's Health Insurance Exchange (DC HIX). In total, 206 residents attended the nine DC HIX meetings that were held on the following dates and locations:

- Ward 7, July 21, 2011, The Pennsylvania Ave., Baptist Church, 3000 Penn. Ave., SE
- Ward 8, Aug. 31, 2011, Thurgood Marshall Academy Public Charter High School, 2427 MLK Ave., SE
- Ward 4, Sept. 20, 2011, Hattie Holmes Senior Wellness Ctr., 324 Kennedy St. NW
- Ward 4, Sept. 28, 2011, Peoples Congregational Church, 4704 13th St., NW
- Ward 5, Oct. 13, 2011, Dorothy I. Height Community Public Charter School, 1400 1st St., NW
- Ward 6, Oct. 26, 2011, Eastern Market North Hall, 225 7th St., SE
- Ward 2, Nov. 9, 2011, Shaw Public Library, 1630 7th St., NW
- Ward 3, Nov. 14, 2011, UDC Nat Science Building 44, 4200 Connecticut Ave., NW
- Ward 1, Nov. 17, 2011, Reeves Center, 2000 14th St., NW

Some meetings were recorded by DC Cable for broadcast and also for posting on the HRIC website, www.healthreform.dc.gov, the main resource for health reform updates and implementation accomplishments.

- 16 Please discuss, in detail, the work of DISB on the Health Reform Implementation Committee.
- What will be DISB's role in implementing the District's Health Care Exchange Authority?

DISB has been actively engaged in the implementation of the federal Patient Protection and Affordable Care Act (PPACA) since the bill was signed into law by President Obama in March 2010.

To ensure the implementation of PPACA, the Mayor on May 3, 2011 by Executive Order 2011-106 restructured the Health Reform Implementation Committee (HRIC), tasking it with making recommendations to the Mayor on implementation of PPACA. The HRIC is composed of the Directors of the Department of Health Care Finance (DHCF), the Department of Health (DOH), the Department of Human Services (DHS), the Department of Disability Services (DDS), the Department of Mental Health (DMH) and the Commissioner of the Department of Insurance, Securities and Banking (DISB).

The primary function of DISB within the HRIC is to lead the work of the Insurance Subcommittee. Although establishing the DC HIX requires inter-agency cooperation, DISB staff has primary responsibility for developing new insurance regulations as well as creating new methods of data transfer between commercial health insurance carriers and the DC HIX. Specifically, the Insurance Subcommittee has worked in the following areas:

Legislation

Throughout the past year the primary focus of DISB and the Insurance Subcommittee has been enactment of legislation authorizing the establishment of a District-based Exchange. This is one of the first requirements of PPACA.

The Insurance Subcommittee sought and received input on a number of issues related to the DC HIX including governance, administration, and conflict of interest provisions. In addition, the Insurance Subcommittee has hosted stakeholder meetings (consumer advocates, insurance carriers, health care providers, etc.), public information forums in each of the District's eight Wards, and a web-based survey disseminated in cooperation with Councilmembers and ANC Commissioners.

Based on the findings of DISB's outreach, in-house research, and research and findings by outside consultants, DISB staff crafted recommendations for legislation that were approved by the full HRIC committee and transmitted to Deputy Mayor Otero and Mayor Gray. These recommendations were largely adopted in the final version of the Exchange legislation that was signed into law on January 17, 2012.

Passage of the legislation, while a laudable achievement, is only the beginning of the work that must be done to successfully implement PPACA. PPACA outlines five "core functions" that an Exchange must have: 1) Consumer Assistance, 2) Plan Management, 3) Eligibility, 4) Enrollment, and 5) Financial Management. DISB and the Insurance Subcommittee have taken the lead on the Plan Management and Financial Management functions.

Plan Management

Plan management refers to the business processes involved in approving plans for offering on the DC HIX, and the overall regulation and management of them. DISB envisions that it will work hand in hand with the DC HIX executive board to leverage their experience in the commercial health insurance market, expertise with rate filing and plan submission systems.

Financial Management

This generally refers to money in two broad areas: i) the overall fiscal solvency of the DC HIX (PPACA requires that Exchanges be self-sustaining by 2015), and ii) the transfer of premium and cost-sharing subsidies between carriers, the DC HIX, and consumers in both the individual and small group (SHOP) markets.

DISB and the Insurance Subcommittee will be assisted in these tasks through federal grant funds.

Information Technology (IT)

Another primary area of focus for DISB and the Insurance Subcommittee will be the IT infrastructure of the DC HIX. Although DHS and DHCF have taken the lead on this, the Department must work to ensure that its current systems can: 1) handle and process the new types of data and information insurance carriers must provide for health plans in 2014, 2)

have interoperability with the DC HIX “hub” itself, and 3) can be modified, tested, and available for use by all necessary parties by the end of 2012. Federal grant funding will be used to procure an IT specialist specifically focused on commercial health insurance systems.

- 17 What impact has the Dodd Frank Act had on DISB in FY11 and FY12 thus far?

The Dodd Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) has several major provisions that affect state securities regulators: (i) Increasing the ceiling on Assets Under Management for State-regulated Investment advisers from \$25 Million to \$100 Million (the so-called “IA Switch”), and creating a new category of “Exempt Reporting Advisers,” (ii) Modifying the “Bad Boy” disqualification standards for certain types of exempt offerings, and (iii) Requiring the SEC to update the standards for “accredited investors,” who are eligible to receive private offerings of securities. Each is more fully described below.

The Investment Advisers (IA) Switch – The IA Switch will increase the number and complexity of investment advisers that DISB will license and regulate. The SEC-imposed deadline for the “switching” of investment adviser firms to submit their applications to the states is March 30, 2012. The deadline for those firms to be licensed by the states is June 28, 2012. In July of 2011, DISB issued a bulletin to firms that might be affected by this provision of Dodd-Frank, and in November of 2011, DISB conducted a workshop for switching firms. DISB is preparing to offer a second workshop in March of 2012. DISB has also signed a Memorandum of Understanding that was prepared by the North American Securities Administrators Association (NASAA), for cooperative review of license applications that are submitted by switching firms to between four and fourteen member jurisdictions. On February 8, 2012, two DISB staff members attended a forum on the “IA Switch” that was sponsored by the Philadelphia Regional Office of the SEC. DISB will maintain close liaison with the SEC Regional Office with regard to the switching firms that it has been regulating.

Exempt Reporting Advisers – The new category, “Exempt Reporting Advisers,” consists of those advisers to private funds that are exempt from registration with the SEC prior to Dodd-Frank, because they manage funds exempt from registration as investment companies under section 3(c)(1) or 3(c)(7) of the Investment Company Act, if the funds have less than \$150 Million under management, make certain filings with the SEC and satisfy certain other requirements. Advisers to Venture Capital Funds are also exempt from registration with the SEC under Dodd Frank. On December 16, 2011, NASAA approved a Model Rule that would exempt such advisers from state licensing requirements. DISB is currently planning to propose legislation that would exempt some or all of these Exempt Reporting Advisers from the licensing requirements under the DC Securities Act of 2000.

Accredited Investors – SEC rules permit certain private and limited offerings to be made without registration, and without requiring specified disclosures, if sales are made only to “accredited investors.” One way individuals may qualify as “accredited investors” is by having a net worth, alone or together with their spouses, of at least \$1 million. Dodd-Frank Section 413(a) requires the SEC “accredited investor” standards to exclude the value of a person’s primary residence from the net worth calculation used to determine the person’s “accredited investor” status. The SEC, on December 21, 2011, adopted final rules under the Securities Act of 1933 that amended its “accredited investor” standards in accordance with that requirement.

The DC Securities Act of 2000 provides, in D.C. Official Code § 31-5601.01 (1) that "Accredited investor" shall have the same meaning as in section 2(a)(15) of the Securities Act of 1933, approved May 27, 1933 (48 Stat. 74; 15 U.S.C. § 77b(a)(15)), or any other person that the Securities and Exchange Commission may so designate by rule, regulation, or order. This provision will automatically pick up the change in the SEC definition.

Bad Boy Disqualifications – The SEC has not yet adopted rules implementing the applicable provision of Dodd-Frank regarding offerings under Regulation D. When final rules are adopted, DISB will consider revising the Small Company Offering Registration (SCOR) disqualification provision in Title 26 of the District of Columbia Municipal Regulations 26-§ B205.7, which, at the present, only looks back 5 years, to harmonize that provision with the 10-year disqualification period in the Dodd-Frank..

The Dodd Frank Act also has provisions that affect state banking regulators, including changes to federal preemption standards and requirements that the new Consumer Financial Protection Bureau (CFPB) coordinate with the state authorities.

Changes to Federal Preemption – The Dodd Frank Act changes the preemption standards for state consumer protection laws under the National Bank Act. State consumer protection laws are now only preempted if: 1) application of a state law would have a discriminatory effect on national banks; 2) the state law prevents or significantly interferes with the exercise by the national bank of its powers; or the state law is preempted by a provision of the federal law. The Dodd Frank Act also reverses a Supreme Court decision that extended federal preemption to subsidiaries and affiliates of national banks. In addition, the Act dictates that federal consumer protection laws constitute a floor above which states can promulgate consumer protection laws stricter than federal standards. Under these new standards permitted under Dodd Frank, DISB will have greater enforcement authority over national banks located in the District of Columbia.

CFPB Coordination with the District – The Dodd Frank Act has multiple provisions that require the Consumer Financial Protection Bureau (CFPB) to coordinate, consult or share information with state regulators to promote consistent regulatory treatment of products and services. In 2011, the CFPB and the Conference of State Bank Supervisors (CSBS) signed a memorandum of understanding (MOU) to establish a foundation of state and federal coordination and cooperation for supervision of providers of consumer financial products and services. Specifically, state regulators and the CFPB will endeavor to promote consistent examination procedures and effective enforcement of state and federal consumer laws and to minimize regulatory burden and efficiently deploy supervisory resources. Further, the MOU provides that state regulators and the CFPB will consult each other regarding the standards, procedures, and practices used by state regulators and the CFPB to conduct compliance examinations of providers of consumer financial products and services, including non-depository mortgage lenders, mortgage servicers, private student lenders, and payday lenders. The consumer financial protection regime established by the Dodd Frank Act strikes a balance between federal and state regulation of firms. The CFPB may also route complaints to state agencies only if it is determined that the state regulator has met certain standards. It is expected that the CFPB will complete rulemakings in 2012 that will define how the federal and state regulators will coordinate examination and enforcement

functions. The Banking Bureau has been speaking with the CFPB and attending conferences with other state regulators to ensure that the District is ready to meet the standards required by the Dodd Frank.

- 18 Has DISB been able to implement the Small Business Jobs Act? Are there any challenges to executing this federal law? (needs to be answered)

Since the start of the program on August 16, 2011, two community development financial institutions (CDFIs) have signed participation agreements with DISB to participate in the Capital Access Program (DC CAP Program). To date, no loans have been made. Based on conversations with local bankers, many banks are apprehensive about participating in the program for the following reasons:

The program requires lenders to liberalize their underwriting criteria in a uncertain economy while regulators are urging banks to be more conservative. Unfortunately, lenders believe that the program may lead to this test causes unnecessary interference with their ability to set underwriting criteria that properly reflect the risk associated with riskier borrowers.

DISB continues to solicit suggestions from lenders for amendments to the program that would address their concerns

Small Business Administration (SBA) loans have less risk and different treatment by regulators. Many Lenders have stated that the SBA program poses less risk than the DC CAP program, since SBA provides a 75% guarantee while the maximum contribution to a DC CAP loan loss reserve account is 21%. In addition, different classes of bank assets have different risk weights associated with them. These risk weights are used to determine the capital requirement for a financial institution. SBA loans that are guaranteed by the federal government have a 0% risk weighting since the federal government has never defaulted on its obligations. However, other categories of loans have risk weightings that range between 20% and 100%.

Also, the DC CAP program requires that all loan loss reserve accounts be established at a single bank, the institution that responded and accepted the RFP from the Office of the Chief Financial Officer (OCFO). In addition to lenders being concerned about how regulators will view DC CAP loans, there is also some concern about the loan loss reserve accounts being off-balance sheet. If FDIC bank examiners are unable to inspect the bank's

loan loss reserve account when the bank is examined, it is unlikely that the lender will be able to make the argument that the loans deserve a lower risk weighting.

DISB is considering a change to the program that will enable the banks to maintain the reserve accounts in their institutions, which will eliminate issues surrounding the risk weighting of CAP loans.

- 19 Please provide a complete accounting of all federal grants received for FY11 and FY12, to date.

Please see **Appendix 10**.

- 20 What steps were been taken during FY11 to reduce agency energy use?

The Department has a strict policy that no outside appliances can be utilized within the work areas, and encourages employees to turn off their computers at nights and the weekends.

- 21 Please identify any legislative requirements that the agency lacks sufficient resources to properly implement.

Insurance Bureau

Recently enacted District laws have mandated that for medical malpractice and health insurance rate filings, all of the information to support a rate increase is public information. For other filings, there is a question as to whether some of the information is excludable under FOIA. This creates a conflict in the laws which require considerable manpower to resolve. Although, the Insurance Bureau believes that all information used to support an insurance rate determination should be public information, this should be clarified by legislation.

Health insurance reform is a massive undertaking that will require a lot of work on the part of the Department's staff over the next several years. This will likely require additional staff, both term and permanent, to successfully implement all aspects of reform. Although thus far, the District has received and expects to continue to receive federal funding to support the hiring of additional staff, if the federal funds are not received from the federal government, or if the federal government funds the program at a

different amount, then the Department's resources will be strained, and the required additional staff will have to be found within the Department's budget.

Securities Bureau

The Dodd Frank provisions will place substantial additional demands on the Securities Bureau, in particular, the Licensing and Examinations Staff. The Securities Bureau has included requests for additional staff in these areas in the FY13 budget request. The SEC still has under advisement approximately 100 rulemakings to implement various Dodd Frank provisions, and some of those will, when adopted, also increase the compliance responsibilities of regulated firms. The states, including the District, will be responsible for monitoring compliance with many of those provisions.

Also, Congress is presently considering various bills that may increase access to public financing for small businesses. Some of these will impose additional responsibilities on state securities regulators, if adopted.

Banking Bureau

The agency is required to examine all mortgage brokers and lenders on a three year cycle. The Banking Bureau will need to hire four additional examiners in order to complete the examinations of more than 700 licensees in the period required by law. In FY12, the Banking Bureau will aggressively recruit new examiners to ensure that we have the staff to meet or statutory obligations.

The Foreclosure Mediation Program is underfunded, and as result, has found it difficult to obtain the services of a significant number of qualified mediators. Mediation sessions involve complex legal issues, which has called for the need to have licensed attorneys who are also skilled in mediation techniques. Under the existing law, mediators are paid a flat fee of \$300 per homeowner; however, the average amount of time spent on each mediation is approximately 7-8 hours. Legislation was introduced on February 7, 2012 on behalf of the administration that would give the Commissioner the authority to determine the fees for the foreclosure mediation program.

- 22 Please list all regulations for which the agency is responsible for oversight or implementation. Please list by chapter and subject heading, including the date of the most recent revision.

The following is a list of the regulations for which the Department is responsible for oversight or implementation. These regulations are codified in Titles 16 and 26 of the District of Columbia Municipal Regulations. We have provided the dates for those regulations promulgated or revised since 2001.

I. Title 16 District of Columbia Municipal Regulations

<u>Chapter</u>	<u>Title of Regulation (Date of promulgation or revision as applicable)</u>
Chapter 37	Department of Insurance, Securities and Banking Infractions (5/27/05)

II. Title 26 District of Columbia Municipal Regulations

<u>Chapter</u>	<u>Title of Regulation (Date of promulgation or revision as applicable)</u>
Title 26-A 1	Licensure as Insurance Producer (01/02/09)
Title 26-A2	Restrictions on Solicitations and Sales
Title 26-A3	Prohibitions on Arbitrary Cancellation
Title 26-A5	Motor Vehicle Insurance: Required Insurance
Title 26-A6	District of Columbia Automobile Insurance Plan (05/21/04)
Title 26-A8	Taxicab Insurance (07/23/04)
Title 26-A9	Ambulance Insurance
Title 26-A10	Life Insurance
Title 26-A11	Annuity Mortality Tables
Title 26-A13	Insurance Placement Facilities (12/24/04)
Title 26-A14	Insider Trading
Title 26-A15	Proxy Solicitation
Title 26-A16	Insurance Holding Company System Regulations
Title 26-A17	Motor Vehicle Insurance: Administration Fund Bureau and Administration Fund
Title 26-A18	Uninsured Motorist Fund
Title 26-A19	Insurance Coverage for Drug Abuse, Alcohol Abuse, and Mental Illness

Title 26-A20	Medical Liability Captive Insurance Program (01/28/11)
Title 26-A21	Sinking Fund
Title 26-A22	Medicare Supplement Insurance Minimum Standards (11/13/09)
Title 26-A23	Reinsurance
Title 26-A24	Company Organization, Management and Securities
Title 26-A25	Annual Statement Filing Requirements
Title 26-A26	Long Term Care Insurance (04/18/08)
Title 26-A27	Variable Life Insurance Contracts
Title 26-A28	Credit for Reinsurance Regulations
Title 26-A29	Statements of Actuarial Opinion and Memorandum Regulation
Title 26-A30	Valuation of Life Insurance Policies (09/12/08)
Title 26-A31	Investment Guidelines for Health Maintenance Organizations (HMOs) (06/07/07)
Title 26-A35	Health Maintenance Organizations (HMOs) (07/11/03)
Title 26-A36	Privacy of Consumer Financial Information (02/14/03)
Title 26-A37	Captive Insurance Companies (08/24/01)
Title 26-A38	Rules of Practice and Procedure for Hearings (08/08/03)
Title 26-A39	Licensure as a Public Insurance Adjuster (07/25/03)
Title 26-A40	Reciprocal Insurance Companies (01/18/08)
Title 26-A41	Title Insurance Rate-Making (03/18/11)
Title 26-A42	Uniform Credentialing and Re-Credentialing Form (08/11/06)
Title 26-A43	Uniform Consultation Referral Form (05/27/07)
Title 26-A44	Child-Only Policies (03/18/2011)
Title 26-A45	Oversight Role and Fiduciary Obligations of Members of the Board of Directors of a Hospital and Medical Services Corporation (09/17/04)
Title 26-A46	Procedures for the Determination of Excess Surplus (11/13/09)
Title 26-A50	Unfair Trade Practices (04/16/04)
Title 26-A51	Standard (Non forfeiture) Law for Individual Deferred Annuities (05/28/04)
Title 26-A52	Military Sales Practices (12/07/07)
Title 26-A 53	Medical Malpractice Liability Hearing Rules And Rate Filing (12/12/08)
Title 26-A56	Certified Capital Companies (03/11/11)
Title 26-A58	Senior-Specific Designations (07/30/10)
Title 26-A 82	Continuing Care Retirement Communities (02/24/06)
Title 26-A84	Suitability of Annuity Transactions (12/24/10)
Title 26-A88	Health Benefit Plans Prompt Payment (06/16/06)

Title 26-B1	Broker-Dealers, Agents, Investment Advisers, and Investment Advisor Representatives (07/30/10)
Title 26-B2	Registration of Securities Offerings (11/30/01)
Title 26-B3	Rules of Practice and Procedures for Hearings (12/20/02)
Title 26-C1	General Provisions
Title 26-C2	Applications
Title 26-C3	Powers
Title 26-C4	Administrative Procedures
Title 26-C6	Fees and Assessments (02/15/08)
Title 26-C11	Mortgage Lenders, Mortgage Brokers and Mortgage Loan Originators (12/24/10)
Title 26-C18	Automated Teller Machines (12/05/03)
Title 26-C20	Predatory Lending (11/29/02)
Title 26-C21	Opportunity Accounts (5/31/02)
Title 26-C22	Money Transmitters (12/05/03)
Title 26-C25	Consumer Retail Credit
Title 26-C26	Loaning Money
Title 26-C27	Foreclosure Mediation (12/30/11)
Title 26-C28	Capital Access Program (09/30/11)

23 Please list each new program implemented by the agency during FY11. For each initiative please provide:

- A description of the initiative
- The funding required to implement to the initiative
- Any documented results of the initiative

Banking Bureau

Multi-State Examination – During FY11, the Banking Bureau participated in several multi-state examinations (MMC Exams), in addition to the State Attorneys General Examination.

The MMC Exams reviewed mortgage loans for servicing violations and also for compliance with District laws. The purpose of the exams was to identify improper foreclosure practices. These exams were initiated as a result of “robo-signing” discovered in the foreclosure process.

The State Attorneys General Examination reviewed foreclosures initiated by the five largest banks (Ally Bank, Bank of America, CitiBank, JP Morgan Chase and Wells Fargo). The findings from the MMC examinations were used to identify additional bank non-compliance. Based on the findings of this examination, the Office of the US Attorney announced a settlement on

Thursday, February 9, 2012. DISB's participated in the examination, in conjunction with the Office of the DC Attorney General, and as a result, mortgage relief of up to \$45 million is being made available to qualified residents of the District.

The Foreclosure Mediation Program (FMP) – The FMP was implemented as a result of the Saving D.C. Homes from Foreclosure Amendment Act of 2010. This program offers District residents an opportunity to meet face to face with their lender to discuss alternatives to foreclosure, and to help keep families in their homes. A mediation certificate is required on all residential properties in order for a lender to complete foreclosure.

The Capital Access Program – The Capital Access Program (CAP) is a loan portfolio insurance program designed to increase the amount of capital available for small businesses in the District of Columbia. This is a credit enhancement program that enables private lenders to establish a loan loss reserve fund from fees paid by lenders, borrowers, and the District of Columbia in exchange for making loans to borrowers who don't meet the lenders traditional underwriting criteria. Loan proceeds can be used for any purpose, including start-up costs, business acquisition, working capital, equipment and inventory. Most District of Columbia small businesses, including nonprofit organizations, are eligible. Lenders that may participate are banks, credit unions, and community development financial institutions who have signed a participation agreement with the D.C. Department of Insurance Securities and Banking (DISB). When a participating lender originates a loan, the lender and borrower combine to contribute between 4% and 7%, into a loan loss reserve account ("reserve account") established for the benefit of the participating lender. The District of Columbia government, through dollars provided by the U.S. Treasury, provides a 100% match of the combined lender/borrower contribution. However, if a loan is in an enterprise zone, or the lender meets other criteria, the District government may provide an additional 50% to 100% match from local funds.

- 24 Please provide a list of all studies, research papers, and analyses (“studies”) the agency requested, prepared, or contracted for during FY11. Please state the status and purpose of each study.

There were no studies, research papers or analyses that were procured in FY11.

- 25 Please explain the impact on your agency of any legislation passed at the federal level during FY11, and FY12 to date, that significantly affect agency operations. If regulations are the shared responsibility of multiple agencies, please note.

Federal legislation and regulations passed to implement health care reform continues to impact the Department’s implementation of health care reform in the District of Columbia. There are shared responsibilities between DISB and the Department of Health Care Finance.

The Dodd Frank Act has provisions that affect state banking regulators, including changes to federal preemption standards and requirements that the new Consumer Financial Protection Bureau (CFPB) coordinate with the state authorities. It is expected that the CFPB will complete rulemakings in 2012 that will define how the federal and state regulators will coordinate examination and enforcement functions. The Banking Bureau has been speaking with the CFPB and attending conferences with other state regulators to ensure that the District is ready to meet the standards required by the Dodd Frank.

- 26 Please provide a list of all MOUs in place during FY11, or thus far in FY12.

Please see **Appendix 11**.

- 27 Please list each contract, procurement, lease, and grant (“contract”) awarded, entered into, extended and option years exercised, by your agency during FY11 and FY12, to date. For each contract, please provide the following information, where applicable:
- The name of the contracting party
 - The nature of the contract, including the end product or service
 - The dollar amount of the contract, including budgeted amount and actually spent
 - The term of the contract
 - Whether the contract was competitively bid or not
 - The name of the agency’s contract monitor and the results of any monitoring activity
 - Funding source

Please see [Appendix 12](#).

- 28 Does DISB have any contracts with Small, Local, Disadvantaged Business Enterprises located in the District? What is DISB doing to increase its contracting with local businesses?

Yes. DISB has continuously strived and been successful in accomplishing the 50% set-aside goal of its expendable budget towards Small, Local, Disadvantaged Business Enterprises located in the District. When a contract with a non-Certified Business Enterprises (CBEs) expires or when there is a need to secure additional goods and services, the first course of action is to seek bids from current CBE’s which are listed on the Department of Small and Local Business Development’s website to increase its contracting with local businesses.

- 29 How many banks are domiciled in the District?

There are 5 banks domiciled in the District of Columbia. Of the 5, 2 are District chartered, 2 are national banks and 1 is a federal savings bank. There are currently 32 banks operating 217 branches in the District.

- 30 What steps is DISB taking to attract additional bank branch locations in the District, especially in areas East of the Anacostia River?

The DC Banking Bureau is not currently accredited with the Conference of State Bank Supervisors (CSBS). While not directly correlated to the opening of banks or bank branches in any particular area, lack of accreditation necessarily inhibits the fullest possible expansion of the banking industry in the District. For this reason, the Banking Bureau is exploring the merits of being accredited by the Conference of State Bank Supervisors (CSBS). The CSBS Banking Accreditation Program is an immense undertaking. Accreditation involves a comprehensive review by CSBS of the critical elements of a state's banking department through an investigation of its administration and finances, personnel policies and practices, training programs, examination policies and practices, supervisory procedures, and statutory powers to assure the department's ability to discharge its regulatory responsibilities. Accreditation is used to designate those state banking authorities that can provide safe, sound and well-regulated financial institutions that meet the unique financial needs of local economies and citizens.

At this time, 47 of the 50 states have been accredited by CSBS. Achieving accreditation is a necessary prerequisite for attracting banks to become chartered in the District, permitting the District to better compete in this area of the financial services marketplace.

In addition, DISB meets with national banks that are interested in opening branches in the District. As part of these discussions, the Agency has historically encouraged banks to consider unbanked neighborhoods in the District. Recently, when TD Bank began its expansion in the District, the Department hosted an informational meeting with their executives to highlight the banking needs in the District. In 2012, the Department intends to work with the Office of the Deputy Mayor for Planning and Economic Development (DMPED) to explore potential incentives that may encourage banks to open locations in unbanked neighborhoods.

- 31 Please describe the steps taken by the agency to provide oversight and management for contracts. Specifically, how does the agency ensure that its programmatic needs are being met? Specifically, how does the agency ensure that its programmatic needs are being met? How does the agency ensure that contracting actions are standardized across various programs?

Contracts and programs are monitored on a continuous basis throughout the year. When approaching the new fiscal year, meetings with the different Bureaus are held to review and address their continuous needs so as to ensure that existing programs and maintenance are not interrupted, and to effectively secure procurement for these items.

An internal process was created to keep consistency within the procurement of goods. All programs or goods must have a requisition form prepared to include a quote, statement of work (if applicable), line item budget to identify that item has in fact been budgeted for, applicable management signatures and the Commissioner's signature. Once this internal process has been completed any contract entered into by DISB is executed in accordance with the statutes and regulations administered by the Office of Contracts and Procurement.

- 32 Please list and describe any ongoing investigations, audits, or reports on your agency or any employee of your agency, or any investigations, studies, audits, or reports on your agency or any employee of your agency that were completed during FY11 or FY12, to date.

DISB is aware of an ongoing investigation by the Office of Human Rights into a terminated probationer's allegations of discrimination. DISB is also investigating the misfeasance and/or malfeasance involving an employee's conduct while at work. Also in FY11, DISB referred three related matters involving former employees to the Office of the Inspector General.

- 33 Please identify all recommendations identified by the Office of the Inspector General, D.C. Auditor, or other federal or local oversight entities during the previous 3 years. Please provide an update on what actions have been taken to address these recommendations.

None

- 34 Please identify all electronic databases maintained by your agency, including the following:
- A detailed description of the information tracked within each system
 - The age of the system and any discussion of substantial upgrades that have been made or are planned to the system
 - Whether the public can be granted access to all or part of each system

Insurance Bureau Electronic Databases

State-Based System (SBS) – SBS was created in 2000 by the National Association of Insurance Commissioners (NAIC) in collaboration with a few states and the District of Columbia. DISB was the first jurisdiction to take on the service. SBS is a comprehensive system used to license and renew producers and insurance companies; it has expanded to include consumer complaints, enforcement, and online continuing education for resident producers. DISB currently uses 9 of the 21 services available. SBS is being used to report information to the Department of Health and Human Services (HHS) as part of health care reform.

DISB staff access SBS on a daily and continuous basis. Consumers can access the status of insurance companies and producers through SBS directly from the DISB website. The Department is currently implementing the ability to provide registered agents with access to its website. All jurisdictions using the SBS system are able to test enhanced and new services through an integration site.

National Insurance Producers Registry (NIPR) – NIPR provides 24/7 input services for producers desiring insurance licensure in the District, including allowing biographical updates and the ability to upload any required supporting documentation. Initial and renewal licensing processed through NIPR feed into SBS on a real-time basis. Insurance company appointments and renewals (producers) are processed through NIPR electronically. All fees collected by NIPR are transmitted via EFT daily to the DC Treasurer.

DISB Insurance Bureau staff has access to NIPR on an as needed basis. Consumers can access NIPR information through SBS as discussed above. Producers directly access NIPR to renew licenses and update information. Enhancements to NIPR are approached on the same basis as described above for SBS. DISB has fully participated in all NIPR initiatives since 2000.

System for Electronic Rate and Form Filing (SERFF) – SERFF provides an interface for insurance companies to submit rate and form filings for review and approval by Insurance Examiners via the system. This paperless process for reviewing and approving filings provides for electronic communication between submitter and reviewer if necessary. SERFF is being used to report information to HHS as part of health care reform.

DISB is currently working on a project to allow consumers to have direct access to approved rate and policy form filings through our website.

Internet-State Interface Technology Enhancement (I-SITE) – I-SITE stores financial and other information for all insurance companies licensed in the District. Unlike the other databases described above, I-SITE has one national database used by all participating jurisdictions.

DISB Insurance Bureau staff has access to I-SITE on an as needed basis. Consumers can access insurance company financial information and complaint information that is stored in I-SITE through the NAIC's Consumer Information Source which is accessible from DISB's website.

Enforcement and Consumer Protection Bureau Electronic Databases

MAGNUM Case Management System – The Enforcement and Consumer Protection Bureau has a Lotus Notes based electronic investigation case tracking system that contains sensitive case management information including investigative plans, written evidence and other investigative information. This information is protected by law from public disclosure. The system includes allegations, suspects names, protected criminal investigative information and is firewalled from other DISB Bureaus. Only ECPB investigation personnel have access to the system. This system was acquired in 2002; the IBM software on which Magnum runs was upgraded to the new Lotus Domino 8.5.

Banking Bureau Electronic Databases

ACO STAR System – The Banking Bureau uses the STAR Consumer Services (STAR CS), STAR Examination, and STAR Revenue Room systems. STAR CS is used to process and store non depository licensing and activity information. The system is also used to generate various reports for several uses by the Bureau, among which is license counts and license history. Staff in the Banking Bureau has access to STAR CS. The public has access to viewing the licensing verification and status for the

Non-Depository Licenses in the ACO STAR system which is maintained within the DISB website. <http://app.disb.dc.gov/ifs/default.asp>.

STAR Examination is used to process and store non depository examination information. The system is linked to STAR CS for the flow of license information to facilitate the examination process. The system is also used to generate various reports for several uses by the Bureau, among which is examination counts, workflow, and assignments.. Staff of the Banking Bureau has access at various levels. There is no public access.

The Revenue Room is used to track all revenue coming into the Bureau. Checks are batched, coded and allocated to the various license categories for tracking. The information is also used to reconcile with the Bureau's bank statements and other budget-related information. Access is limited to the staff of the Banking Bureau Licensing Unit and administrative and IT staff.

Nationwide Mortgage Lending System (NMLS) – Pursuant to an agreement with the Nationwide Mortgage Lending System and Registry (NMLS&R) the Banking Bureau uses the NMLS System to process and store mortgage license information. The system was launched in 2007 and continues to undergo upgrades to improve it. The Banking Bureau staff members and the mortgage industry have access to the system as it is also used to file license applications and engage in other license- related activity. The public has limited access for license verification purposes. The system is maintained by the NMLS&R.

CaseAware – CaseAware is a case management software designed for mortgage attorneys. Banking Bureau uses this software for scheduling and tracking foreclosure mediation sessions, as well as generating reports about the program.

Securities Bureau Electronic Databases

ACO STAR System – ACO STAR is maintained by the Corporation Finance Division, Securities Bureau. The system tracks registration filings and notice filings that are related to securities offerings subject to the requirements of Title III of the Securities Act of 2000. The filings are primarily SEC Uniform Investment Company Notice Filing form NF, SEC Form D for Regulation D offerings, and similar notices of securities offerings otherwise not subject to the registration requirements. The information tracked in the database includes the following: name of issuer; names and ID numbers of officers and directors; names and ID numbers of broker dealer firms and agents; description of securities issued; sales

information, and status of DISB's processing of these filings. The Corporation Finance Division staff within the Securities Bureau has access to this system, in addition to DISB IT and OCTO staff.

There is no public access in the present system; the upgraded system however, may have limited interactive capability. The STAR system has been in use at DISB since 2001.

The ACO STAR system has been in place since 2001; it is undergoing an upgrade to implement a single database used by both the Banking and the Securities Bureau.

Department Electronic Databases

FileNet Document Management System (FileNet) – FileNet is used as a file repository to store all scanned paper documents associated with a document class type. The Department has approximately 10 document classes in the system used to import documents for the Insurance and Securities Filings, Premium Tax documents, Licensing, Financials, etc. We have provided logins to staff that allows them to view documents in their division/document class. All DISB staff members can access the FileNet system to search for scanned documents. The Department has had this system since year 2000 and is currently working on a project to upgrade it to the new version.

Freedom of Information Tracking System Database – The Freedom of Information (“FOIA”) Tracking System Database is maintained by the FOIA Officer. It contains detailed information about the requestor, the request, timeframes for tracking, the timeliness of the response, the denials and fees generated by the requests. The database contains fields for name, address, and telephone numbers of requestors, a description of the request, where it was sent, when it was received from the program staff, whether the request was denied or granted, what exemptions were claimed, whether extensions for time to respond were requested, the fees that were generated, when the fees were paid, what was the processing time and processing cost. Information in the database is used to produce the statutorily mandated Annual FOIA Report. IT personnel and DISB's FOIA Officer are the only personnel with access to the database. The public cannot access the FOIA database due to the confidential information contained therein. The Department has had this database since 2005. It is basically an Access database and it is reused every year as a new database for that fiscal year.

Agents for Service of Process Database – The Insurer’s Service of Process Act of 1994 requires that an insurer, licensed to engage in business in the District of Columbia, appoint a suitable person in the District or not more than 10 miles beyond the territorial limits of the District, as agent for service of legal process. DISB maintains a database of over 1800 agents appointed by licensed insurers to receive service. The database contains the name of the company, the address of the company, the date the agent was appointed, the name of the service agent, the address for the agent and any other relevant comments or remarks. The agent is appointed by an officer of the company and DISB is notified of all changes of address. The public contacts DISB to obtain the necessary information to serve process on the appropriate agent of the licensee. Currently, the public does not have access to this system. All information is inputted and maintained by the Paralegal Specialist in the Office of the General Counsel. Hard copies for the public to access over the phone or at the Receptionist area of DISB are available. The system has been developed, updated, and maintained since 1994. It is currently being updated so that the public will have access through other programs in DISB.

BlueExpress – BlueExpress is the database system maintained by the Securities Bureau, Corporation Finance Division, DISB IT Administrators, and OCTO that provides electronic filing services for financial institutions. The ACO STAR registration system imports data from the BlueExpress system. Information tracked within the system includes: name of licensed firm or issuer, names and ID numbers of officers and directors, names and ID numbers of broker dealer firms and agents, and descriptions of securities issued and other sales information. The staff of the Corporation Finance Division has access to this system, as well as, DISB IT Administrators and OCTO staff. Public access to BlueExpress is afforded to investment company filers who have executed a MOU with DISB to use the system. . The BlueExpress system has been in use at DISB since 2002. No upgrades are anticipated.

NEMO (NASAA Exam Module) – NEMO provides Investment Advisers and Broker Dealers compliance audit (examination) system support to the Examinations Division of the Securities Bureau. The modules of the system include the Pre-Exam Checklist, the Interview(s), the Exam Builder, as well as other appropriate sub-modules. These Modules are used to assess the level of completion during the course of an examination. Individuals with access are Examinations Division staff members of the Securities Bureau and DISB IT Administrators. Due to sensitive examination and personal information contained in these

databases, it is not available to any other DISB employee, or the public. The NEMO system has been in use since 2007. NEMO is continuously updated due to law, industry, product, or examination technique changes.

FINRA CRD and IARD Systems – CRD and IARD are systems administered by the Financial Industry Regulatory Authority (FINRA). The data consists of records of state and federally licensed broker-dealer firms and their agents and other associated persons, and Investment Adviser firms and their representatives. The basic information is filed on BD and ADV forms. Numerous other forms report actions such as withdrawals, terminations and disciplinary actions. Public access consists of FINRA staff and staff members of the participating state securities regulatory agencies to the “state” portions. Members of the public have limited access through “Broker Check.” The CRD system has been in use for more than 20 years and the IARD system has been in use for about 8 years. The systems are continuously upgraded by a series of releases.

Risk Finance Bureau Electronic Databases

Teammate Software (Teammate) – The Risk Finance Bureau uses Teammate Software to perform and maintain its financial analyses and examination files. Every member of the Risk Finance Bureau has access to Teammate. Teammate is updated periodically, but no substantial upgrades have been made or are planned at this time.

The Risk Finance Bureau maintains its licensing database in Excel files. Every member of the Risk Finance Bureau has access to the licensing files. No substantial upgrades have been made or are planned at this time.

- 35 What has the agency done in the past year to make the activities of the agency more transparent to the public? In addition, please identify ways in which the activities of the agency and information retained by the agency could be made more transparent.

DISB continues to rigorously review its organizational processes to determine how the Agency can be more effective in making information and actions more accessible, open and transparent to the public; and to give the public an opportunity to give meaningful feedback. By doing so, the Department, thereby becomes more participatory and collaborative in its execution of its duties. Listed below are the Agency activities:

Regulatory Bulletins

Within the past year, DISB issued several regulatory bulletins, notices and advisories on current and emerging issues to regulated entities to alert them of changes in laws and policies. The Agency believes that continued information to these entities keeps them in compliance with legal requirements. Also, DISB gives the regulated entities an opportunity to weigh in on the impact of regulations before they are finalized, thereby having a more transparent process. Listed below are more specific actions by the Agency's bureaus.

Insurance Bureau

The Insurance Bureau works at transparency by providing information on the DISB website. In 2011, additions to the site included premiums for title insurance policies and information about pending and approved health insurance rate filings. As DISB conducts its review of the surplus of Carefirst, the agency will again provide all information it receives that is related to the review on the website to ensure a completely transparent process. All Health Reform Implementation Subcommittees and work groups chaired by DISB take minutes, and provide them to the health reform website, www.healthreform.dc.gov to ensure transparency as the agency implements health care reform in the District.

Securities Bureau

In order to be fully transparent, in FY11 in preparation for the Investment Adviser "Switch," which was mandated by the Dodd-Frank , the Securities Bureau issued a special Bulletin on requirements of the switch, which was placed on the Agency website; hosted one of many workshops for switching firms; and placed multiple pieces of information on the switch onto DISB's website. The intention was to offer the regulated entities as much information as possible before the switch and to make available any of the staff who would have been able to respond to any questions arising about the switch.

Banking Bureau

More transparency is the continued outcome since 2009 when DISB joined the Nationwide Mortgage Licensing System (NMLS), the legal system of record for licensing mortgage loan originators in all participating states, the District of Columbia, and U.S. Territories and for registering mortgage loan originators employed by financial institutions regulated by the federal banking regulators, the Farm Credit Administration and the National Credit

Union Administration. The NMLS is designed to streamline the licensing process, improve supervision, and increase transparency in the mortgage industry. Through this standardization, DISB has also become more transparent not only to the companies seeking licensing but also to the other states using the NMLS. Through the Banking Bureau, DISB offers foreclosure mitigation assistance that offers District residents several specialized remedies, each operating within a goal of creating more transparency and collaboration between the Agency and the resident experiencing the foreclosure.

DISB works directly with the resident to address individual foreclosure issues. Foreclosure mitigation assistance includes addressing consumer complaints involving foreclosure, providing the agency-created DISB Foreclosure Mitigation Kit that includes teachable enablers to assist residents with saving their homes from foreclosures, speaking with a lender on behalf of the resident to help with negotiations, and assisting with finding HUD certified counselors to assist in loan modifications. The process is transparent and collaborative with the affected homeowner, who works toward an alternative to losing his or her home.

Risk Finance Bureau

To make the activities of DISB's Risk Finance Bureau more transparent and user friendly, on an annual basis, the bureau publishes a detailed memorandum explaining the financial statement filing requirements. These instructions provide substantial assistance to captive managers, who must comply with very complex reporting requirements. The Risk Finance Bureau also publishes the financial examination reports of each risk retention group captive on its website. This practice provides policyholders of these entities with an opportunity to review Department findings, and become better informed about the financial condition of their insurer. The Risk Finance Bureau is constantly reviewing its activities to ensure that it provides the public with appropriate information about the captive insurers the agency regulates.

Consumer Protection

Besides approaching consumer protection from a regulatory standpoint, another approach is to educate consumers unscrupulous activities and scams, provide information on financial products, identifying and preventing fraud, verifying licenses, and offering steps on who to call or where to go to file a complaint. These efforts enable consumers to make more educated choices, which in turn allow them to protect their finances. DISB has a dedicated team of expert speakers with a passion for educating

and sharing information about Departmental services to DC residents. Presentations have been given throughout the city—either by invitation, solicitation or through partnerships—on topics like consumer protection, health reform, investments and foreclosure mediation.

Below are specific actions targeting consumers, which highlight transparency:

Web Site

Much of the above mentioned consumer topics may be found on the Agency's website, www.disb.dc.gov, the main conduit for information. In the past year, from Feb. 1, 2011 to Feb. 1, 2012, about 365 webpage titles were viewed 363,922 times with the average time spent on the pages as 6:51 minutes. From this, DISB can gauge popular website pages and use the length of time spent on a page to determine and improve site effectiveness. The website content assists in closing gaps for information, thereby fulfilling transparency needs. According to the report from Google analytics, the insurance licensing pages, non-depository licensing info and applications are among the top page views. There have been significant views for the DC captive domicile, securities and consumer pages as well. Regulated entities are aware of the site and do visit it to fulfill informational needs. During FY11, the DISB Bulletins webpage was visited 4,375 times and 2,663 of those visits were by new users.

Small Group Presentations and Collaborations

Throughout FY11, and continuing through FY12, DISB has conducted several consumer information and education small group presentations with community-based organizations such as AARP community chapters, Advisory Neighborhood Commissions, senior wellness centers, religious institutions and other non-profit organizations where residents can be appraised not only of DISB's consumer protection efforts but also have the opportunity for face-time with DISB experts to help them solve problems or to seek more information. Further collaborative efforts by DISB occur with the District Government Mortgage Foreclosure Task Force, the North American Securities Administrators Association (NASAA) Investor Education Project Group, the Greater Washington Jumpstart Coalition and other consumer protection/financial education initiatives. These alliances provide additional platforms for community engagement and participation.

Using complaint topics filed by District residents creates further tools for information or distribution. For instance, a specific fraud complaint or a recent natural event may warrant DISB creating a body of knowledge or

information to be provided through a number of tools. To transmit this information to the public, DISB will use consumer alerts, press releases, newsletters, media interface, bulletins, notices, news stories, articles, social networking tools. Also, the Agency posts information on the Agency website to enable consumers to access current information and also gives them the ability to review previously released information.

- 36 Please identify any statutory or regulatory impediments to your agency's operations.

Insurance Bureau

During the first year of implementation of the legislation giving the Department the authority to regulate title insurance, the Insurance Bureau identified some holes and clarifications that are necessary to correct to properly carry out the Department's regulatory function and make title insurance regulation, where appropriate, consistent with other types of insurance. Legislation amending the title insurance legislation has been developed and introduced in the Council.

The Insurance Bureau supports the adoption of legislation that will enable the District to join the Interstate Insurance Product Regulation Commission (IIPRC or "Compact"). The IIPRC is an important modernization initiative that benefits state insurance regulators, consumers and the insurance industry. The Compact enhances the efficiency and effectiveness of the way insurance products are filed, reviewed and approved allowing consumers to have faster access to competitive insurance products in an ever-changing global marketplace. The Compact promotes uniformity through application of national product standards embedded with strong consumer protections. There are currently 41 US jurisdictions that have joined the IIPRC, including both Maryland and Virginia.

Securities Bureau

The Securities Bureau needs the following legislative action in order to operate effectively (1) the Fingerprinting legislation (Title I of Bill B19-0198, the "Department of Insurance, Securities and Banking Regulatory Practice Enhancement Amendment Act of 2011"); and (2) enactment of the proposed Securities Act Amendments of 2012, particularly subsections 1(e)(i) and (ii), which authorizes the Commissioner to exempt Private Fund Advisers ("Exempt Reporting Advisers") from the licensing requirements of the Securities Act of 2000.

- 37 How does the agency solicit feedback from customers? Please describe.
- What has the agency learned from this feedback?
 - How has the agency changed its practices as a result of such feedback?

Through DISB's various bureaus and offices, there are many in-points for residents to offer feedback to the Agency – whether positive or negative. Below DISB describes how it solicits feedback, as well as how the feedback comes into the Agency. Regardless of the manner of entry, DISB's dedicated staff works on the appropriate team response or change in operations.

Website

One of the significant areas through which the Agency solicits feedback is through its website at the Ask the Commissioner link. It is an area that is fairly obvious on the site and it offers a fillable user-friendly form. Although there are a wide range of questions, a large portion of mainly unsolicited inquiries come from members of the insurance industry with specific licensing and regulation questions such as canceling a producer's license or seeking assistance with investigating Workers' Compensation and more. As they are received, these inquiries are promptly forwarded to the appropriate bureau for resolution, and are usually responded to within 24 hours. It may not effect a change in practice, but a response reinforces DISB's consumer services' ability to interface and respond to the needs of its stakeholders and the public.

The Insurance Bureau has begun posting all health insurance rate filings onto the web site as soon as they are received to solicit input before a determination is made on the filing. There is a dedicated email address that can be used to submit comments electronically. Although no comments have been received yet, going forward, the Insurance Bureau will work on making the information more "consumer-friendly" to encourage more feedback.

In 2009, based on a report from the Consumer Federation of America, DISB's website received a low grade for its usability. In response to the report, DISB pulled together a team that updated website content and closed informational holes identified in the feedback. Because of the report, several updates and changes are continued to be made to the Agency's website, including DISB's adding of rate filing information, which was not previously available.

Also, on the Agency's website is a web user survey with specific questions seeking feedback on how often the site is used, its user-ability and more. It is housed on the front page, and at times, social media will be engaged to drive constituents back to the survey and other information on the site. Although the survey only had a few responses, the general consensus is that the Agency's website is not "user-friendly." DISB will use the collected information to fix that in conjunction with OCTO. It should be noted that the Agency has received unsolicited calls and emails with respect to how "user unfriendly" the website is. The Agency is working on a way to make sure that the user feedback is captured as part of the analysis process. Some of these unsolicited inquiries have led to changes the Agency's website. Recently, DISB made changes to the "Uniform Suspected Insurance Fraud Reporting Form," to enable filers to add special characters to it.

After-Event Evaluation Forms

Another area where feedback is solicited in the community is through after-event evaluation forms. The Consumer Protection Advocate uses these evaluations at regularly scheduled group presentations. From these forms, DISB can receive tangible opinions on a presentation or workshop. Evaluations explore whether the person became better informed after the presentation; how did the person find out about the meeting; and suggestions for improvement. DISB especially finds the question about presentation content to be important in helping to drive the types of materials at future workshops. Any feedback on how a person discovers a DISB-hosted meeting is examined so the Agency can make changes on how meeting solicitation and attendance are driven; and to replicate the successes and discontinue the failures. In FY11, 15 presentations, focusing on consumer protection needs of the District's seniors with an emphasis on financial fraud prevention were hosted in communities across the city. They attracted an average attendance of 25 attendees per event and were produced in partnership with other community stakeholders. The Agency has been able to gain some information on preferred topics for group presentations such as consistent requests for additional sessions on reverse mortgages, and comments on telephone solicitations. As a result DISB has been able to tailor presentation topics and materials to these specific community needs. In FY11, the evaluation forms were especially valuable during the ward-based DC Health Insurance Exchange (DC HIX) meetings in assisting the Health Reform Implementation Committee (HRIC) to tailor its presentations based on attendees' written feedback. Requests for additional meetings by other attendees, as well as by the original host, have been frequent. Often, DISB will receive verbal favorable reviews of its presentations and presentation materials.

Surveys

In FY11, the Agency used a public online and hardcopy survey to solicit feedback on the DC HIX. This tool was used, in conjunction with the DC HIX meetings, to solicit opinions on the creation of the local exchange. Of the individuals surveyed, at least 51 percent found it to be very important that the DC HIX fulfill the following criteria:

- Promote and increase competition among health insurers (58%)
- Be a driver of quality improvement and cost containment in the health insurance marketplace (78.1%)
- Serve as a negotiator with health plans to achieve lower prices (75.6%),
- Provide cost and quality data on health plans to promote consumerism and increase transparency in the health insurance marketplace (73.6%),
- Increases the portability and continuity of health coverage (78.5%),
- Simplify the purchase of health insurance (78.5%), and
- Help small businesses with administrative functions and minimize the burdens related to offering health insurance (54.5%),
- DC HIX should be an independent/quasi government entity (54.5%).

These results were considered in the collaborative creation of the exchange law, which was passed January 17, 2012. Although the number of people who filled out the survey (242—213 online and 29 handwritten) was not reflective of the numbers of people who would be impacted by the exchange, DISB plans to explore this type of mechanism for feedback. DISB intends to be more creative and aggressive in creating questions and seeking responses from those most affected by the implementation of the DCHIX in conjunction with the larger HRIC Communications Subcommittee.

Letters

In the Consumer Services Division in the EIB, every closing letter from DISB insurance complaint handlers includes an invitation to consumers, stating that if there are any questions, they may call the complaint handler directly and the direct telephone number is provided. Occasionally, DISB receives feedback on a complaint. The primary lesson learned from the feedback is that consumers expect an intelligent response that demonstrates that DISB understands the consumer's problem and researched that problem. If DISB were able to assist the consumer, a detailed response is generally not necessary. However, in those cases where the insurance company has fulfilled its legal obligations as expressed in its policy and not violated the law, DISB's responses must rise to a higher level. In those cases, explanations require more detail, accuracy, and a showing that the

Agency addressed the complaint's issue with expertise, knowledge and understanding. Insurance issues can be complex and in most cases, consumers are looking for a disinterested party to ensure that they were not being taken advantage of. Whenever, DISB provides a detailed explanation of why the policy does not cover specific situation, most consumers are satisfied.

Stakeholder Engagement

The Risk Finance Bureau meets with the captive insurance industry on a regular basis, and routinely asks if the Department's our captive law and regulations are current and appropriate for the specialized insurers that we regulate. The Bureau also seeks input from the captive industry as to whether DISB's internal procedures are reasonable and efficient. A few years ago, the Agency was told that District law did not allow for the licensing of non-profit or reciprocal captives. Also, that the District did not have the authority to license special purpose captives. DISB also learned that its main competitor, Vermont, approves applications within 30 days of filing. Based on this information, the captive law and regulations were amended to address the concerns of the industry, and DISB changed its internal procedures to ensure that license applications are reviewed on a timely basis. DISB is currently reviewing the captive law again, and is considering additional changes that will enhance the District's reputation as a leading captive insurance domicile.

Community Engagement

DISB will use at its disposal opportunities to engages the public and solicits feedback through presentations and some onsite presence at large-scale fairs or expos. At these latter activities, DISB uses a sign-up sheet to encourage sign up for agency newsletters. At times, persons may express a specific financial concern such as a home foreclosure or a flood insurance issue. DISB has not always captured those concerns since the agency staff will assist the resident on-site that time. So, DISB will explore a better method for capturing these on-site types of feedback so that it can measure what the financial concerns of the public are.

Another area for feedback is through DISB's social media tools including Facebook and Twitter. Using these tools, in FY11, DISB has responded to specific questions about mortgages or insurance. Through Twitter, the Agency has circulated news from the Mayor's office upon request, or other District government agencies, as well as from nonprofits that provide public information. Due to the Twitter interaction, DISB can glean neighborhood concerns from residents who do not have to leave their homes. Since DISB

created a Twitter account in 2010, it has gained 724 followers, which includes other government agencies, Councilmembers, other financial-services regulators, Advisory Neighborhood Commissions, regulated entities, small businesses, media, and the community at large, that follow for DISB's updates and news. This offers an additional entry point for feedback.

Easily Accessible Contact Information

For all its collateral materials, DISB has specific contact emails within the Agency: (e.g. **disb@dc.gov**; **disbcomplaints@dc.gov**). These should make it easier for those attempting to offer feedback to the correct group within the Agency. Additionally, this contact information is usually displayed on all materials.

DISB uses all these methods as entry points for feedback to improve efficiencies and effectiveness in its operations. It will work on a more effective method for capturing feedback in a more public repository.

38 What is the status of the FY09-FY10 biennial report?

There exists no statutory nor regulatory requirement that the Department produce a biennial report and no guidance as to what any such report should contain. In keeping with the mission of transparency and good government important to the best functioning of the Department and its regulated marketplace, data regarding regular workings of the Department will, going forward, be available at all times on the Department's website. For the purposes of this 2012 Oversight Hearing information similar to that previously provided in a costly, bound, outdated biennial report is produced below. The values reported below represent the most recent available to the Department as of February 17, 2012.

- 39 Please provide the data accumulated by the Insurance Bureau for the biennial report for FY10, FY11, and FY12 to date.

Below is the insurance premium volume for 2009 and 2010. The significant difference in the volume of health insurance premiums between the two years is the result of a change in the way the FEHBP (federal employees' health insurance program) premiums are allocated. Previously all local premiums were reported in the District; beginning with 2010, the premiums are allocated to the residence jurisdiction of the employee. Note that FEHBP premiums are not subject to premium tax. *See* Table 1 below.

Table 1: Volume of District Insurance Premiums (in thousands)

Category	2009	2010
Health	\$4,497,191	\$2,619,774
Life/Annuities	\$2,705,897	\$2,420,908
Property/Casualty	\$1,516,082	\$1,416,681
Surplus Lines	\$158,670	\$161,903
Title	\$33,968	\$45,755
Fraternal	\$2,840	\$4,048
Total	\$8,914,648	\$6,669,069

More than 1,300 insurance companies are licensed to operate in the District 14 domestic companies that are incorporated in the city and 1,289 licensed foreign companies that are incorporated in other states. They bring more than \$70 million in taxes and fees to the District General Fund. *See* Table 2.

Table 2: District Insurance Sector Taxes and Fees (in thousands)

Revenue Source	2009	2010
Taxes	\$57,407	\$54,412
Fees	\$18,507	\$16,132
Fines	\$127	\$0
Other	\$0	\$4
Total	\$76,041	\$70,548

Through the NAIC/SBS services, DISB continues to improve and increase licensing and related processes by converting the previous paper and manual process to an electronic format. For the convenience of producers, birth-

month renewals have been implemented and notices are transmitted electronically via e-mail. (SBS refers to State-Based Systems.) See Table 3.

Table 3: Licensed Insurance Producers in the District for Calendar Years

	2010	2011
Individual		
Resident	1,154	912
Nonresident	59,336	47,997
Total	60,490	48,909
Business Entity		
Resident	139	124
Nonresident	4,401	4,036
Total	4,540	4,160
Grand Total	65,030	53,069

- 40 How many insurance based complaints did the agency receive during FY10, FY11, and FY12 to date? How much in claims was recovered during these periods? What trends in complaints has the agency noticed?

Insurance Complaints	# Complaints Received	\$ Recovered
FY10	668	\$489,279
FY11	629	\$417,281
FY12 (to date)	205	\$160,725

In addition to the complaints received, DISB also handles numerous inquiries and consumer assistance calls. Typically, DISB handles about the same number of these calls as actual complaints.

The most remarkable trend in insurance complaints is the consistency of the data from year to year. For example, complaints about health insurance represent 50% (+ or - 3%) of all complaints handled in all three reporting periods. Similarly, the amounts recovered on behalf of consumers for health complaints appears to be steady, *i.e.*, at \$200,290 in FY10, \$217,211 in FY11, and \$75,393 for YTD FY12 (year to date) annualized at \$225,000(annualized at \$225,000).

Complaints are classified as “justified” or “not justified”. This is a classification used by NAIC and is typically a complaint in which the Department obtained a recovery for the consumer. This measure also appears to be fairly consistent with 31% of complaints in FY10 being justified; 28% in FY11 being justified and 29% in FY12 being justified.

One area where there was a significant variance was in the dollar value of life and annuity recoveries. During FY10 recoveries for life and annuity totaled \$164,115 and then decreased to \$19,175 in FY11. Year to date recoveries FY 12 total \$52,060 for the first four months.

A second trend DISB observes is that complaints are becoming more sophisticated and require more in-depth research into policy language and the District of Columbia insurance code. This is creating a more challenging environment for our complaint handlers.

- 41 Please provide the data accumulated by the Banking Division for the biennial report for FY10, FY11, and FY12 to date.

Banking Bureau’s Licenses, Category:	FY10	FY11
Mortgage Lenders/Brokers	662	676
Mortgage Loan Originators	1,341	1,565
Check Cashers	122	114
Money Transmitters	49	49
Consumer Sales Finance Companies	26	31
Money Lenders	5	5
Total	2,205	2,440

Banking Bureau’s Consumer Complaints:	FY10	FY11
Number of formal complaints	217	160
Number of complaints referred to EIB	14	7
Number of foreclosure complaints	76	78
Total	307	245

Foreclosure Statistics:	Notices of Foreclosure	Actual Foreclosures
FY09	217	160
FY10	14	7
FY11	76	78

- 42 Please provide the data accumulated by the Securities Division for the biennial report for FY10, FY11, and FY12 to date.

Securities Bureau

As discussed in the response to Question 17, the bureau is implementing the provisions of the Dodd-Frank Act that made changes to the role of state securities regulators. There was a slight increase in Corporation Finance and Licensing activity overall from 2010 to 2011.

Examinations

	FY12 to date	FY11	FY10
Carried over Exams	9	9	5
Opened Exams	4	13	13
Closed Exams	7	13	9
Pending Exams	6	9	9

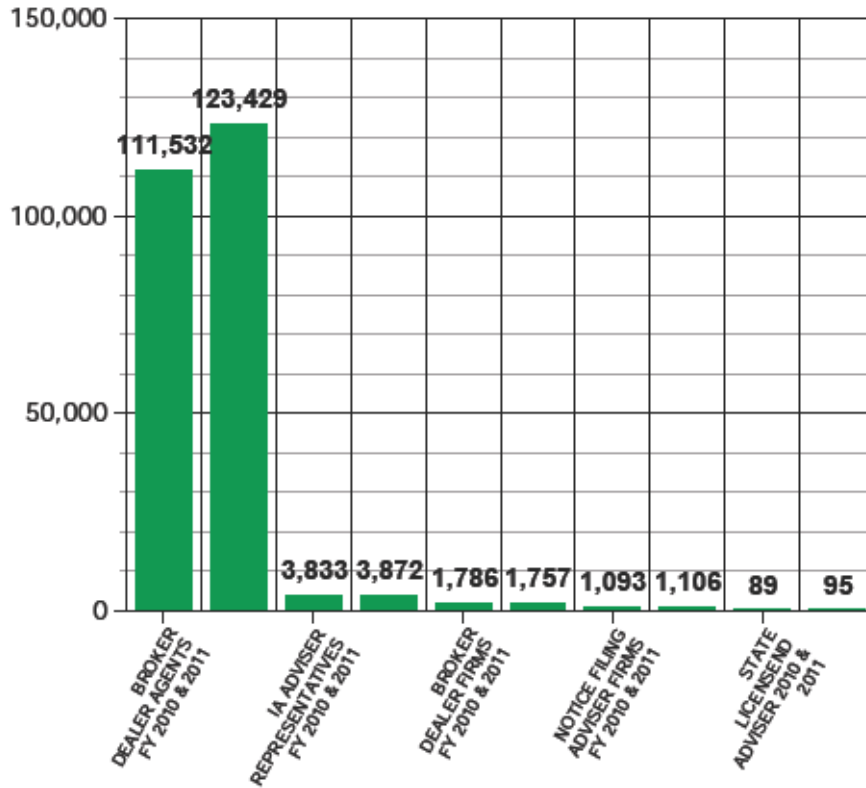
Enforcement

	Y12 to date	FY11	FY10
Carried over cases	27	32	25
Opened cases	2	21	25
Closed cases	6	26	18
Pending cases	23	27	32

Licensing Division Operations – for FY12 to date, the Licensing Division has completed processing the applications for 14 Broker-Dealer firms, for 5,231 Broker-Dealer Agents, for 14 Investment Adviser Firms and for 132 Investment Adviser Representatives.

The following table presents the number of licenses issued by the Securities Bureau in each category in FY 2010 and 2011.

LICENSING DIVISION STATISTICS FY 2010 AND 2011



Corporation Finance Division, Securities Bureau
 Operating results for FY10, FY11 and First Quarter FY12

Securities Offerings	FY12 Est.*		FY11		FY10	
	Filings Processed	Fees Collected	Filings Processed	Fees Collected	Filings Processed	Fees Collected
Registrations:	14	\$17,500	59	\$60,750	43	\$48,545
Exemptions:						
Investment Companies (Mutual Funds)	9,052	\$4,214,027	23,760	\$11,639,980	22,891	\$10,916,952
Federal Covered Securities (Rule 506)	122	\$33,400	510	\$127,500	453	\$114,850
General Exemptions	53	\$7,750	177	\$27,000	224	\$20,550
Total Filings and Fees	9,241	\$4,272,677	24,506	\$11,855,230	23,611	\$11,100,897
Other (Fines/Settlements)	2	\$128,870	7	\$3,483,873	1	\$5,645
Total Filings, Fees, and Fines	9,243	\$4,404,547	24,513	\$15,339,103	23,612	\$11,106,542

*Estimate as of the end of the First Qtr. of FY12

- 43 Please provide the data accumulated by the Enforcement and Consumer Protections Bureau for the biennial report for FY10, FY11, and FY12 to date.

Enforcement and Investigations Bureau

The Investigation Division opened 421 fraud investigations in FY11 and 132 in FY12 (as of January 1, 2012).

Table 1: Fraud Referrals*, FY10 – 12 (as of 1/31/12)

Insurance Type	FY10	FY11	FY12 (as of 1/31/2012)
Auto Insurance	210	227	60
Property Insurance	11	21	5
Casualty Insurance	16	21	0
Health Insurance	64	99	21
Life Insurance	6	3	1
Insurance – Other	33	6	28
Insurance Agent	0	0	2
Banking	26	27	9
Securities	4	4	1
Workers' Compensation	12	5	4
Other	6	8	1
Total	388	421	132

*Referrals from insurance companies, general public and law enforcement agencies to DISB.

Table 2: Investigation Results, FY10 – 12 (as of 1/31/2012)

	FY10	FY11	FY12 (as of 1/31/2012)
Cases Opened	388	421	132
Cases Closed	366	439	132
DISB Cases Referred to U.S. Attorney's Office	9	24	2
DISB Cases Accepted by U.S. Attorney's Office	3	9	0
U.S. Attorney's Office-DISB criminal case convictions	4	4	0
DISB Office of General Counsel Civil Actions	3	4	0
DISB Cases Referred to D.C. OAG for Criminal-Civil Action	5	12	2
DISB Cases Accepted by DC OAG	3	3	1
DC OAG-DISB case convictions	0	1	0
Referrals for Registration of Out-of-State Automobiles	79	56	10
Total Restitution	\$1,337,572	\$8,183,032.90	\$2,504,122.00
Total Incarceration Periods	0	6 years	10 years, one month and one day
Recoveries	\$3,000	0	\$1,214,837.00
Fines	0	\$10,185.00	\$15,000.00

Table 3: Producer Enforcement Actions, FY10 – 12 (as of 2/2/12)

Type	FY10	FY11	FY12 (as of 2/3/2012)
New Opened and Investigated	154	195	98
Total Completed Investigations	133	198	25
Total Referred to IB	43	34	25
Total Referred to OGLA	28	31	22
Administrative Actions	16	34	2
License Revocations Terminations/Surrendered	5	17	1
Restitution	\$00.00	\$00.00	\$00.00
Fines/Penalties Levied	\$1,500.00	\$1,500.00	\$00.00

Compliance Activity – Annual industry antifraud statistics showed in FY11, the Insurance Company Investigation Units operating in the metropolitan DC area reported internal company savings of \$7,838,850.00 from their antifraud efforts. These savings come from cases that that insurance company internal investigators mitigated that resulted in either no claim payouts or reduced claims payouts. In FY10 & 11, the SIUs reported restitution of \$3,206,566.00. Insurers recovered monies through civil actions, criminal referrals and direct negotiation with claimants.

Anti-fraud Plan Compliance Review – In FY11, the Compliance Branch received, monitored and conducted compliance reviews of sixty-five (65) new and revised anti-fraud plans.

Background Searches in support of DISB Bureaus – In FY11, ECPB conducted 129 criminal history and background checks. In FY10, 79 were conducted (62% increase).

- 44 Please provide the data accumulated by the Risk Finance Bureau for the biennial report for FY10, FY11, and FY12 to date.

The Risk Finance Bureau licensed new captives in FY10-12 as follows:

Table 1: Captive Insurance Companies Licensed in the District

FY07	FY08	FY09	FY10	FY11	FY12
7*	19	19	20	17	7

Table 2: Premium

Growth of District Captives (numbers in millions)

	FY07	FY08	FY09	FY10
Gross Premiums Written	412	298	305	329
Net Premiums Written	251	209	238	247
Net Premiums Earned	198	213	276	257
Underwriting Profit	19	15	59	90

The 2011 data will not be filed with DISB until March 2, 2012. It will take about three to four weeks to compile and will be available to the Council after that time.

Table 3: Asset and Capital and Surplus Growth of District Captives (numbers in millions)

	FY07	FY08	FY09	FY10
Cash and Invested Assets	437	558	1,515	1,544
Total Assets	1,001	1,166	2,176	2,264
Total Capital and Surplus	213	272	511	606

Table 4: Premium Tax and Fee Revenue by Fiscal Year

	FY10	FY11	FY12
Premium Taxes	1,660,910	1,809,378	124,057
Fines and Fees	77,381	48,733	11,020

CAPCOs

The District enacted the CAPCO Act in March 2004 and has since licensed three CAPCOs: Wilshire D.C. Partners, LLC; Enhanced Capital District Fund, LLC; and Advantage Capital D.C. Partners I, LLC. They have invested approximately \$27 million in 35 District based businesses or business groups, which not only pay taxes in the District but also employ District residents. The CAPCOs continue to look for viable District-based businesses to fund, and DISB will continue to encourage business in need of start-up or working capital to contact the CAPCOs to determine if a CAPCO loan or investment is right for them.

- 45 Has DISB retained a consultant to perform the Economic Impact Study as required by the Certified Capital Companies Improvement Act of 2010? If so, has the study been completed and released?

DISB anticipated the first phase of the study to have been completed by now, but the Department has encountered problems that have delayed the study. The Department is in the advance stages of identifying a vendor to conduct the study. It is anticipated that the first phase of the study will be completed June 30, 2012.

- 46 What is the status of updating and making a more user-friendly website?

A site-specific search engine was recently added to the website which will provide users with easier access to posted information and direct them to available material based on inquiries.

Over the next several months, the Office of the Chief Technology Officer (OCTO) will be developing capabilities and features through its new Drupal system platform. The platform will allow DISB to create a website that is more interactive and accessible from various sources including mobile applications. The Department will be able to host the website and provide additional features as needed including user-friendly searchable databases, a blog, videos and access to popular links. Work in this area is expected to be completed by the end of FY 2012.

Based on current capabilities, the Department regularly solicits feedback from users through online surveys and acts upon recommendations. An internal cross-sectional group of employees meets regularly to discuss ways

to make the website more user-friendly and provide additional information. During FY 2011 continuous updates were made to the website based on Department actions and operations. Some of the significant updates and additions include:

- Added information on available “Mortgage Loan Assistance Programs” for borrowers who may need help paying their mortgages before they reach foreclosure status.
- Made available tips on “advising adults with diminished capacity” to provide information about ways to assist these District residents and their care-takers.
- Provided access to health insurance rate filings to help residents make informed decisions when selecting a health insurance plan.
- Developed specific website sections to provide information on the Foreclosure Mediation Program and Health Reform.
- Added notifications and information for events such as consumer alerts, tips, and warnings.

The Agency is evaluating the appropriate use of social media tools such as Facebook, Twitter and Linked-In as alternative response capabilities.

47 Please identify and explain any and all spending pressures for FY12 to date.

While there are no spending pressures for FY12, it should be noted that the Department has received grants and special purpose funds which support the Department’s increased financial services regulatory responsibilities. This is especially true for the implementation of Healthcare Reform and the formation of the Healthcare Insurance Exchange (DC HIX). These funds will no longer be available after 2015.

48 Please provide any additional information, feedback, or requests to the committee that you deem necessary.

The Department urges prompt action on appointments to the HIX Executive Board as soon as an acceptable list of candidates is put forward to the Mayor and the Council. It is expected that the HIX legislation will conclude its Congressional review by March 2 or soon thereafter. The work begun by the Healthcare Reform Implementation Committee (HRIC) would be greatly facilitated by these appointments and we need to be

mindful of the January 1, 2013 exchange certification date set by the federal Affordable Care Act.