

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Department of Insurance, Securities and Banking



Fiscal Year 2017 Budget Oversight Public Hearing

Testimony of

Stephen C. Taylor

Commissioner, Department of Insurance, Securities and Banking

Before the

Committee on Business, Consumer and Regulatory Affairs
Chairman Vincent B. Orange, Sr.

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Room 412

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Good morning Chairman Orange, Members of the Committee on Business, Consumer, and Regulatory Affairs, and Committee staff. I am Stephen Taylor, the Commissioner of the Department of Insurance, Securities and Banking (Department). On behalf of Mayor Muriel Bowser, I appreciate the opportunity to appear today to testify on Mayor Bowser's Fiscal Year 2017 Budget. As you may know, each agency plays an important role to ensure that residents in all eight Wards have the education, economic opportunity, public safety, neighborhoods, environment and infrastructure they need to reach the middle class. The Mayor's Budget will provide the Department with the necessary resources for us to continue our work to provide a fair shot for all Washingtonians and help create pathways to the middle class.

The Department regulates insurance, securities, banking and other financial services in the District of Columbia. Our mission is two-fold: (1) protect consumers through our regulation of the financial services industries; and (2) develop and improve market conditions to attract and retain financial services firms to the District. We accomplish this by working to ensure District residents have access to a wide choice of financial services, and are treated fairly by service providers. The Department also provides a positive business climate that encourages fair and open competition and supports economic development and business growth in the District.

The Department's proposed FY 2017 budget is \$26,404,148, a 2.3 percent increase from our FY 2016 budget. The proposed FY 2017 budget supports 149.6 full-time positions, which is no change from the current year. Ninety-nine percent of our budget is special purpose "O" type funds and the remaining one percent is Intra-District funds.



Before I talk about some of our priorities and ongoing initiatives, I will take a moment to brief the Committee on the variances that account for the increase in funding authority, starting with personal services.

I. Personal services

The proposed FY 2017 budget supports a net increase of \$359,854 in associated projected salary step increases and fringe benefit costs for the Department's staff.

II. Non-personal services

The proposed FY 2017 budget includes an increase of \$308,830 in non-personal services primarily in contractual services and other services and charges to support the following:

- a. Modernization and streamlining of the District's banking code;
- b. Actuarial services related to health insurance rate reviews;
- c. Local advertising for our programs and services;
- d. Membership dues; and
- e. Information technology assessments.

In addition to some of the new initiatives I just referenced, I would like to touch briefly on ongoing and additional priorities for the current fiscal year and FY 2017.

The Department continues to play a significant part in the District's administration of the Patient Protection and Affordable Care Act of 2010. Notably, the Department has a critical role in supporting the DC Health Link through the Department's review and approval of the rates for all insurance plans to be sold on DC Health Link. Our job there is to ensure the rates are fairly priced considering the benefits provided, and are reasonable to adequately cover the costs of medical services and operating expenses. Moreover, rates cannot be unfairly discriminatory. We are currently preparing for the rate review process for 2017 plans to be offered in the District of



Columbia through the DC Health Link. The process begins in May 2016 and continues through the summer. The Department's efforts to keep health insurance affordable was recognized in a January 2016 study where the District was found to have the seventh lowest health insurance rates in the United States. The Department remains vigilant and will continue its emphasis on maintaining the affordability of health insurance in the District through our improved and comprehensive rate review process.

The Department also will remain focused on supporting the Mayor's economic development goals by administering programs that provide access to capital for local small businesses. Those efforts include our State Small Business Credit Initiative (SSBCI) and crowdfunding programs. Through SSBCI, the Department uses federal funds to facilitate lending to, and investment in, local small District-based businesses. Both of these alternatives to traditional commercial financing support small business, job creation and greater economic opportunity, and further the Mayor's goal of creating pathways to the middle class. We will continue to promote these financing options to the District's small business community. In fact, we are holding an event on May 6, 2016, during National Small Business Week, for District small businesses to learn more about the programs and to hear and discuss the experience of District small businesses that used our financing programs.

The Department will continue to support the Mayor's housing preservation goals through its foreclosure mitigation activities. The Department's Foreclosure Mediation Program will continue to provide distressed homeowners with alternatives to the non-judicial foreclosure of their homes. Additionally, the Department will issue another contract for FY 2017 to provide housing counseling, foreclosure mediation, and legal services for homeowners facing a judicial foreclosure.



The Department also works to create conditions that attract and retain national financial service businesses to the District. One of the efforts related to this goal is enhancing the District's position as one of the nation's most attractive locations to charter a captive insurance company. To this end, we assembled a working group of DISB staff and captive insurance industry representatives to make legislative, marketing, policy and operational recommendations for the growth of the District's captive domicile. The Department is currently developing a marketing program that should be implemented in FY 2017.

We also continue to focus on preventing financial fraud in the District both through enforcement and through public education on how to avoid becoming a victim. Additionally, the Department is developing an elder abuse prevention program, which will enhance our consumer protection, enforcement and education efforts for the benefit of District seniors. The Department knows that as seniors age, their cognitive abilities may decline. Unfortunately, this makes them ideal victims for unscrupulous financial advisers, insurance agents and others who frequently prey on seniors. This effort to protect District seniors supports the Mayor's goal of making the District an age-friendly city and increasing the financial fitness of District residents.

The Department will work to improve financial fitness in the District in two additional areas. First, the Department will offer financial services clinics in the community. Through these clinics, the Department will educate residents and businesses about various subjects related to insurance, securities, banking, and other financial services products so that residents can use them intelligently to create, build and protect wealth. The Clinics also will provide information related to the Department's Bank on DC program, as well as information for small businesses regarding the SSBCI and Crowdfunding programs. In the second area, the Department is working to create a Financial Services Academy program that will help develop a financial services corps in the



District that can help fill existing and new financial services jobs in the District and throughout the metropolitan area.

The resources allocated to the Department in the Mayor's Fiscal Year 2017 budget will be critical in achieving our mission and helping to grow and preserve the District's middle class. The Council and this Committee, led by you Chairman Orange, have been key allies in this effort and I appreciate your continued efforts to ensure we operate efficiently and effectively.

The Department's team believes we are well-positioned to meet our regulatory responsibilities to protect consumers and support the District's economic development goals. We are thankful for the support and leadership of Mayor Bowser. Thank you again for allowing me to appear before the Committee. I am happy to answer any questions you may have.

