

**Government of the District of Columbia
Department of Insurance, Securities and Banking**



PUBLIC OVERSIGHT HEARING

On

Department of Insurance, Securities and Banking Performance for FY 2016 and FY 2017

Before the

COMMITTEE ON BUSINESS AND ECONOMIC DEVELOPMENT

COUNCILMEMBER KENYAN R. MCDUFFIE, CHAIRPERSON

Testimony of

STEPHEN C. TAYLOR

COMMISSIONER

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

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Room 500

John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004

Good morning Chairperson McDuffie, Members of the Committee on Business and Economic Development, and Committee staff. I am Stephen Taylor, 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 the progress our team has made during Fiscal Years 2016 and 2017.

Mayor Bowser's administration remains committed to investing in pathways to the middle class by investing in education, infrastructure, public safety, and people. The Fair Shot Budget for Fiscal Year 2017 was the first budget developed wholly under Budget Autonomy. For the first time since Home Rule was passed in 1973, the District was able to spend its local dollars without having to wait on Congress to pass the federal budget. This brings us one step closer to operating like the 51st state.

The Department regulates insurance, securities, banking and other financial services providers in the District of Columbia. Our mission is two-fold: (1) protect consumers; 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. I would like to begin by highlighting some of our FY16 accomplishments.

Preserving Safe and Affordable Insurance

The Department continues to play a significant role in the administration of the Affordable Care Act of 2010. Notably, the Department reviews the rates for all health insurance plans to be

sold on the DC Health Link exchange. This ensures the rates are fair and reasonable. The Department's 2017 rate review process resulted in 3 of the 4 major insurers in the District revising their rates down from their initial filings. In addition, the four companies filed 171 plans for 2017, up from 162 in 2016.

The Department also completed its review of the Group Hospitalization and Medical Services, Inc. 2011 surplus. I issued a final Decision and Order in the matter in August 2016, requiring GHMSI (which operates as CareFirst in the District) to return \$56.2 million of their 2011 surplus to District residents. The decision provides credits for rate reductions totaling \$4.9 million to qualify as community health reinvestment, and requires GHMSI to issue the remaining \$51.3 million in surplus as rebates to their subscribers.

Delivering Access to Capital for Local Businesses

The Department remains 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 District of Columbia Business Capital (DC BizCAP) and crowdfunding programs. The Department uses federal funds from the State Small Business Credit Initiative (SSBCI) to facilitate lending to, and investment in, small District-based businesses through DC BizCAP. In FY16, the Department qualified for, and received, the third and final tranche of SSBCI funds in the amount of \$4,477,239. To date, the \$8.1 million disbursed through DC BizCAP has leveraged approximately \$17.8 million from private sector lenders and investors for District small businesses.

The Department also supports entrepreneurship and local business through its investment-based crowdfunding program. The three offerings that were issued under the program since its 2014 inception have raised more than \$800,000.

Both of these alternatives to traditional commercial financing support small business, job creation and greater economic opportunity. We will continue to conduct outreach and education about these financing options to the District's small business community.

In FY16, our Office of Communications launched DISB's *Coffee and Capital* series. Those events provided small business owners and lenders with detailed information about the Department's financing programs. These events were hosted at various locations throughout the District, and also provided small business owners and entrepreneurs with an opportunity to interact with Department staff and program users to learn more about opportunities for capital support in starting or growing a business in the District.

Protecting Residents from Financial Fraud and Scams

One of the Department's primary responsibilities is protecting consumers from fraud, scams and unfair or illegal practices. We meet these responsibilities through our compliance, consumer protection, enforcement, and investigation programs. The Department investigated and addressed 235 cases in FY16. In some of those cases, the offenders were sentenced to prison, probation, or fined. Other results included restitution to victims, as well as license suspension and revocation. In a recent case, the court ordered restitution in the amount of \$49,500.

Resolving consumer complaints is another way we fulfill our consumer protection duty. In FY16, \$891,728 was returned to consumers through the Department's consumer complaint resolution program. Also, the Department's assistance in obtaining loan modifications, repayment

plans, and forbearance agreements helped District residents avoid more than \$3 million dollars in potential delinquencies in FY16 alone.

Providing Pathways to the Middle Class through Access to Financial Services and Education

Improving the financial fitness of District residents is an ongoing priority for the Bowser Administration. The Department provides those services through direct, in-person outreach efforts, online resources, and various programs including the recently-launched *Financially Fit DC* program (FinFitDC). With FinFitDC, the Department, along with the Deputy Mayor for Greater Economic Opportunity, is now able to provide a comprehensive financial education program designed to empower all District residents to take control of their financial health. Components include homeownership, emergency savings, credit scores, identity theft prevention, and retirement planning. Residents can engage with the program in a variety of ways including a web-based financial assessment tool, community-focused Financial Services Clinics, and a group designed to promote homeownership preparation. So far, more than 1,300 District residents, including over 1,000 young people between the ages of 14 and 24, have signed up to participate in FinFitDC.

Our *Bank on DC* initiative, now a component under FinFitDC, had another successful year building on its past accomplishments. In FY16, DISB opened 1,710 new accounts, saving residents from paying unnecessary check cashing and money transmission fees. DISB also facilitated over 112 financial education classes in FY16, and trained 23 young people as financial education peer facilitators for the 2016 Marion Barry Summer Youth Employment Program.

Preserving Housing, Preventing Foreclosures

The Department continues its foreclosure prevention efforts to assist homeowners to preserve their homes. The Foreclosure Mediation Program is a beneficial foreclosure prevention tool for those homeowners who elect to mediate to avoid foreclosure. In FY16 (as was the case in FY15), 90% of mediations resulted in a positive outcome that included: repayment plans, modifications, time to sell the property, short sale approval, and reinstatement.

The Department also partners with its vendor to assist to homeowners facing judicial foreclosure. Those services include legal assistance, housing counseling services, and a foreclosure prevention hotline. For example, since October 2016, DISB efforts, in conjunction with our vendor, have resulted in 65 prevented foreclosures, and more than 1,800 residents receiving assistance in judicial foreclosure proceedings.

Department Priorities in FY17 and Beyond

I would like to take an opportunity to mention some of the Department's priorities and initiatives for the remainder of the current fiscal year and the near future, which include:

- Improving and expanding our consumer protection services.
- Increasing efforts to educate residents and businesses about financial services products, and how they help residents and businesses create, build, and protect their wealth.
- Implementing an Elder Abuse Prevention Program to protect the financial wellbeing of the District's seniors in support of the Mayor's goal to make the District "age-friendly".
- Working with participating lenders, local organizations, incubators and other District agencies to use our DC BizCAP program to expand access to capital for small businesses.

- Working with key stakeholders to create a marketing plan to promote the District’s captive program to attract new captive insurance companies.
- Conducting an ongoing review of DISB laws and regulations to ensure the District maintains a streamlined, modern, and adaptable regulatory environment to keep the District an attractive destination for existing and new financial services businesses.
- Working to enhance retirement security and to facilitate the use of technology to improve and expand financial services for consumers.

Conclusion

The Department is well-positioned and well-prepared to meet our regulatory responsibilities to protect consumers and support the District’s economic development goals. Even so, we are continually evaluating our resources, processes, and procedures to ensure that we remain responsive in providing efficient services to our constituents and establishing a national and international financial center. In reviewing FY16 and looking forward into FY17 and beyond, the Department is grateful for the support and leadership of Mayor Bowser.

We look forward to working with you, Chairperson McDuffie, and Members of the Committee on Business and Economic Development. As always, we operate with complete transparency and I will ensure that the communication channels with your staff remain open and productive. Thank you again for allowing me to appear before the Committee today. I am happy to answer any questions you may have.