

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



**Fiscal Year 2018 Budget Public Hearing**

Testimony of

**Stephen C. Taylor**

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Before the

Committee on Business and Economic Development  
Councilmember Kenyan McDuffie, Chairperson

April 13, 2017

Room 120

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



Good morning Chairman McDuffie, Members of the Committee on Business and Economic Development, and Committee staff. I am Stephen Taylor, the Commissioner of the Department of Insurance, Securities and Banking (Department). I am pleased to provide testimony on Mayor Bowser's Fiscal Year 2018 budget entitled, "DC Values in Action, a Roadmap to Inclusive Prosperity." Last week, Mayor Bowser presented the District's 22nd consecutive balanced budget. It reflects the ideas and priorities of District residents and fulfills our commitment to deliver for District residents each and every day. Mayor Bowser's FY 2018 budget makes strategic investments in education, affordable housing, transportation, infrastructure, public safety, job training, and employment services that keep residents on the pathway to the middle class. These investments reflect the key priorities identified by District residents at Budget Engagement Forums held during the budget formulation process. The Budget provides the Department with the necessary resources for us to continue our work to protect consumers and help create pathways to the middle class, as well as support small business.

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 2018 budget is \$28,547,797, an 8.1% increase from our approved FY 2017 budget. The proposed FY 2018 budget supports 149.6 full-time positions,



which is no change from the current year. Except for \$457,172 in federal grant funds and \$125,000 in intra-District funds, our budget is funded by special purpose revenue “O type” 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 2018 budget supports a net increase of \$2,391 in associated projected salary step increases and fringe benefit costs for the Department’s staff.

II. Non-personal services

The proposed FY 2018 budget includes an increase of \$2.1 million in non-personal services funding to support the following:

- a. Enhancements to the District’s Financially Fit DC program (\$395,000);
- b. Increase in foreclosure mediation services (\$100,000);
- c. New insurance premium tax audit (\$200,000);
- d. Office relocation and related costs (\$123,000);
- e. Equipment costs associated with relocation (\$343,000);
- f. Software and equipment costs for a securities system and case management system (\$162,000);
- g. Increased rental costs (\$177,000);
- h. Telecommunications, supplies and maintenance costs (\$102,000);
- i. Insurance regulatory costs funded by Federal Grants (\$457,000); and
- j. Miscellaneous costs (\$72,000).



We are excited about the \$1.1 million grant from the U.S. Department of Health and Human Services that we were awarded after our application was approved. That funding was provided for us to conduct a review of coverage for preventive services and the appeals/grievance process, as well as a review of non-discrimination and mental health parity in health plans. This will allow us to build upon all our previous work to improve the District's health insurance market and provide important protections for consumers.

In addition to the new initiatives I just referenced, I would like to touch briefly on ongoing and additional priorities for the current fiscal year and FY 2018.

The Department continues to play a significant part in the administration of the Patient Protection and Affordable Care Act of 2010 (ACA). First, the Department must review and approve the rates for all insurance plans to be sold in the District of Columbia on DC Health Link. We work to ensure the rates are fairly priced considering the benefits provided; are reasonable to adequately cover the costs of medical services and operating expenses; and are not unfairly discriminatory. We are currently preparing for the rate review process for plans to be offered in 2018. The process begins next month and will continue through the summer. The Department will remain vigilant to ensure health insurance in the District remains affordable.

The second important role we perform is enforcement of the many consumer protections in the ACA. Those protections have been critical for consumers to have quality health insurance plans that provide important preventative health services, as well as comprehensive coverage and services when they and their families need it. Along that note, and given the current threats against the ACA, the Department has been monitoring federal activities which could change the lifesaving and asset-protecting measures in the ACA. The Department convened a health insurance



subcommittee of our Insurance Advisory Committee made up of insurers, health insurer associations, and consumer advocates. The Subcommittee meets bi-weekly to study federal proposals and assist the Department in any response necessary to preserve the ACA protections in the District in the event parts of the ACA are repealed.

The Department continues to support the Mayor's economic development goals through its small business capital programs – DC BizCAP and the DC crowdfunding exemption. As I mentioned during the oversight hearing, the Department received all of its funding under the federal State Small Business Credit Initiative. In fact, we got a little more due to the failure of some states to qualify for all of their funds. We are revamping DC BizCAP to better target investments in support of the Mayor's new Economic Strategy. We also are reviewing our crowdfunding regulations to make the District's program more attractive to entrepreneurs. We will continue to promote these financing options to the District's small business community.

The Department continues to support the Mayor's housing preservation goals through its foreclosure mitigation activities. The Department's Foreclosure Mediation Program provides mediation for homeowners and lenders to avoid non-judicial foreclosure. Additionally, the Department issued another contract for FY 2017 to provide housing counseling, foreclosure mediation, and legal services for homeowners facing a judicial foreclosure. These services have been key to helping many residents avoid foreclosure. Thus, the Department plans to issue a new contract in FY 2018 to continue making these services available for our residents.

The Department will continue efforts to improve financial fitness in the District through Financially Fit DC, and the services the Department provides under that program. For example the Department's new Financial Services Clinics have been very well received and we will continue



providing them. These Clinics, which are important for economic inclusion, educate residents and businesses about financial services products so they can use them intelligently to create, build and protect wealth.

Finally, the Department is working to build out the Financial Services Academy program it created last year. This program will help support the Mayor's vision of creating pathways to the middle class by developing 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. We had our first intern last year from Gallaudet University and he was a tremendous success. I understand that the University's new Risk Management program has expanded, in part from our intern's experience. What a great resource to have our future financial services professionals right here in our backyard.

In addition to these activities, we continue working to build a first rate regulatory agency, as well as a national and international financial services center. The Department will be establishing a Financial Services Technology Innovation Advisory Council. This organization will assist the Department with the development of a regulatory regime or testbed that will enable new financial services companies to form and test new technologies and business models in the District. It is vital that the District maintains a regulatory framework that is agile and can keep up with the changes in the economy such as new financial technology firms that are increasingly operating in the financial services space. Not only does new technology allow firms to provide new products and gain better efficiencies, the use of technology such as the Internet, mobile phones, and blockchain creates the potential for financial services providers to reach underserved markets and thus, increase economic inclusion and business opportunities.



We also plan to expand our investigation and enforcement program to protect consumers and our market. We will increase our capacity to monitor, investigate, and prosecute persons using technology, such as the Internet, to exploit consumers and perpetrate fraud. To that end, we will develop an Internet surveillance and investigation program. Additionally, we will conduct a staff reorganization to establish a new financial services market conduct office. This new division will monitor and examine the District's financial services markets to ensure the markets are functioning properly and in compliance with the law, and treating consumers fairly. Personnel also will be engaging in various activities to uncover, penalize, and shut down firms or individuals engaged in illegal financial services activities.

I am pleased to report that the Mayor's budget for the Department demonstrates her leadership and commitment to our shared DC Values and ensures that all District residents have an opportunity to benefit as we work to attain inclusive prosperity. The Council and this Committee, led by you, Chairman McDuffie, have been key allies in this effort and I appreciate your continued efforts to support our agency's operations.

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.

