

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



Fiscal Year 2021 Budget Oversight Hearing

Testimony of

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Department of Insurance, Securities and Banking

Before the

Committee on Business and Economic Development

Councilmember Kenyan McDuffie, Chairperson

Council of the District of Columbia

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Via Virtual Meeting Platform



Good afternoon, Chairperson McDuffie, committee members, and staff of the Committee on Business and Economic Development. I am Karima Woods, the Acting Commissioner of the Department of Insurance, Securities and Banking (“DISB”). I am pleased to make my first appearance before the Committee as Acting Commissioner and look forward to developing a strong partnership with the Committee in service of the residents of the District of Columbia.

DISB regulates insurance, securities, banking, and other financial services in the District of Columbia. Our mission is three-fold: (1) cultivate a regulatory environment that protects consumers and attracts and retains financial services firms to the District; (2) empower and educate residents on financial matters; and (3) provide financing to District small businesses. 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. We also work to sustain a District business climate that encourages fair and open competition.

Last week, Mayor Bowser presented “DC HOPE,” the Fiscal Year 2021 (FY 2021) Budget and Financial Plan, the District’s 25th consecutive balanced budget. This budget was produced under the pressures of the global pandemic we now know as COVID-19, however the budget still manages to demonstrate the Mayor’s commitment to making the District of Columbia a place where people of all backgrounds and in all stages of life can live and thrive. The proposal makes key investments in infrastructure, education, affordable housing, seniors, public safety, and two areas that COVID-19 has brought even more prominently into our collective consciousness: health and human services and economic development and opportunity. These investments reflect the key priorities identified by District residents at Budget Engagement Forums and telephone town halls held during the budget formulation process, as well as adjustments that have been necessitated by the District’s response to the pandemic. The FY 2021 Budget provides DISB with



the necessary resources to fulfill our mission of protecting consumers and helping to create pathways to the middle class, while supporting small business and economic development growth in the District.

The Mayor's FY 2021 budget for DISB is \$33,149,001, an 18.2 percent increase from our approved FY 2020 budget. The FY 2021 budget supports 144.0 full-time positions, which is the same as the current year. Aside from \$133,000 in intra-District funds and \$139,000 in federal grant funds, our budget is funded by special purpose revenue "O-type" funds.

Before I share 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 total funding authority. The Mayor's FY 2021 budget supports a net increase of \$2,615,621 in personal services funding. This increase results from expenses associated with funding all approved FTEs. The FY 2021 budget also includes an increase of approximately \$2.4 million in non-personal services funding.

Now, I would like to briefly discuss ongoing and additional priorities for the current fiscal year and FY 2021.

DISB's chief priority over the past two months has been maintaining efficient and consistent operations during the declared public health emergency. COVID-19 may have changed the how and where we do business, but it has not diminished DISB's capacity to provide strong regulatory oversight and essential consumer protection and education services. DISB is actively engaging with partner agencies within the District government to manage and mitigate the dangers of COVID-19. DISB participates in the COVID-19 working group, along with agencies like the Department of Health (DOH), the Homeland Security and Emergency Management Agency (HSEMA), the Department of Consumer and Regulatory Affairs (DCRA), and the Health Benefit



Exchange Authority (HBX), to consider and implement options to ensure that the District maintains its ability to handle the effects of COVID-19. We also have collaborated and shared best practices with regulators from other jurisdictions through member organizations such as the National Association of Insurance Commissioners (NAIC) and the Conference of State Bank Supervisors (CSBS) to develop strategies to deal with common issues related to insurance and banking that have arisen due to COVID-19. Finally, keeping an eye toward recovery, I participated on Mayor Bowser's ReOpen DC Committee focusing on developing ideas to support and strengthen small business development and revitalization in this uncertain time.

Turning to DISB's core functions, we continue to meet our responsibility in the administration of the Patient Protection and Affordable Care Act of 2010 (ACA). DISB is preparing for the annual rate review process for plans to be offered in 2021 on DC Health Link. This review process ensures that rates are priced fairly considering the benefits provided, are reasonable to adequately cover the costs of medical services and operating expenses, and are not unfairly discriminatory. The process already has begun, with providers submitting 2021 rates earlier this month, and will continue through the summer. DISB will also hold a virtual hearing on the 2021 health insurance proposed rates, which will provide carriers an opportunity to present their proposed rate changes, and the public with an opportunity to provide comments and input related to how DISB should consider the filings. Continuing the practice of allowing for public comment on the proposed rates provides an important connection point for DISB, which ensures that residents understand that they play an important part in the rate review process. Lastly, DISB continues to monitor and evaluate federal activities that could change the lifesaving and asset-protecting measures in the ACA. Ensuring an affordable health insurance landscape in the District remains a District value and DISB's primary concern.



DISB also is continuing efforts related to the establishment of the District's Financial Empowerment Center (FEC). The FEC will provide professional financial counseling services to District residents, creating opportunities to raise credit scores, obtain banking services, and create a sustainable financial plan. DISB has been working with government and community stakeholders to develop the most effective method of structuring FEC service delivery. DISB also has received an additional grant from the Cities for Financial Empowerment, the grant sponsor for the FEC, that will support providing virtual financial counseling services for residents. This manner of service delivery is particularly timely and will help to inform the FEC's ultimate service delivery structure. With respect to both initiatives, we have cultivated strong partnerships with sister agencies to promote the services that will be available to residents and remain confident that these programs will be a catalyst for ensuring that all District residents have a fair shot at a pathway to the middle class through valuable financial education resources.

DISB will continue its other efforts to improve the financial well-being of District residents in all eight wards through the Mayor's *Financially Fit DC* program. *Financially Fit DC* offers financial education tools and resources to help connect residents to resources personalized for their financial situation and help them take control of everyday finances. As part of *Financially Fit DC*, the Bank on DC program provides mainstream access to financial services, products and financial education to unbanked and under-banked households in the District. Additionally, DISB remains committed to providing financial education workshops and training sessions, which continue to be well-received. These sessions, which DISB will convert to a largely virtual platform, educate District residents about financial services products, so they can use those services intelligently to create, build, and protect wealth. DISB also is encouraged by the demand for the DC Opportunity Accounts Program. This program, which was re-launched by Mayor Bowser in FY 2019, assists



low- and moderate-income District residents with saving money to, among other approved goals, buy a home in the District, launch a small business, or pay for post-secondary education and job training. In FY 2019, 130 slots for accounts were made available and all 130 slots have now been filled. The program was modified through the first COVID-19 emergency law that the Council passed in March 2020, and DISB is working to expand the program based on those modifications to provide more opportunity for eligible District residents to participate.

Consistent with DISB’s commitment to innovation in the regulation of the financial services industry, the work of the District of Columbia Financial Services Regulatory Sandbox and Innovation Council is progressing well. The Innovation Council was created by Mayor Bowser with a mandate to examine the feasibility of creating a safe regulatory space that would allow for more innovative financial services products, services and business models to be deployed in the District, and produce a report to the Mayor with relevant findings and recommendations. The Innovation Council has been meeting regularly to consider a variety of issues related to the viability and potential procedural impediments of making novel financial technology services (including developments in Fintech, Insurtech, and Regtech) more accessible to District residents, and is working diligently to make a determination as to the feasibility of bringing a regulatory sandbox to the District. Ensuring that the District remains an attractive location for both established and emerging financial services firms and using technology to improve service to consumers, strengthen the District’s financial services market, and promote economic recovery efforts for individuals and small businesses are DISB priorities that directly correspond with the work of the Innovation Council.



DISB continues its support of Mayor Bowser's goal of preserving affordable housing through its foreclosure mediation and mitigation programs. DISB's Foreclosure Mediation Program provides mediation for homeowners and lenders to avoid non-judicial foreclosure. In addition, DISB provides housing counseling, foreclosure prevention assistance, and legal services to homeowners facing foreclosure through its contractual relationship with Housing Counseling Services, Inc. These services have helped more than 500 residents avoid foreclosure since 2015. DISB plans to continue this contract in FY 2021 to provide these crucial services to all District residents who face foreclosure.

Finally, DISB continues to support the Mayor's economic development goals through its DC BizCAP program. DISB provided DC BizCAP funding to three business entities in FY 2020, including the National Children's Museum. DISB is considering new methods to increase program efficiency and ensure that participating business entities are effectively served. I also am excited to share that DISB has recently brought on a new Program Analyst to directly oversee, and bring a fresh perspective to, the operations of DC BizCAP. We are particularly mindful of the vital need for increased awareness of DC BizCAP funding availability both immediately and post-COVID-19, which is why DISB will redesign its *Coffee and Capital* series into a virtual platform. The *Coffee and Capital* series provides an effective means of linking current and prospective entrepreneurs with useful contacts and information from DISB. Moving to a virtual platform creates the potential to reach a wider audience and introduce more District small business owners to the resources that DISB makes available. DISB also is considering the most effective methods of deploying program funds to promote increased business and lender participation. I look forward to working with all stakeholders to revitalize this critical program and ensure that it serves as a



robust resource for the small business enterprises that drive the District's economy, and now need our assistance more than ever.

In closing, the resources allocated to DISB will play a critical role in helping District residents and businesses recover from the effects of the COVID-19, and reach and remain on the pathway to the middle class. As important allies in this effort, I reiterate my eagerness to work with you and the entire Council to ensure DISB's efficient and effective operations and thank you for the opportunity to testify today. I am pleased to answer your questions at this time.

