

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



HEARING

On

Agency Performance Oversight Hearings on Fiscal Year 2015-2016

Before the

COMMITTEE ON BUSINESS, CONSUMER AND REGULATORY AFFAIRS

COUNCILMEMBER VINCENT B. ORANGE, SR., CHAIRMAN

Testimony of

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COMMISSIONER

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

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John A. Wilson Building
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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 the progress the team at the Department has made during Fiscal Years 2015 and 2016.

The Department regulates insurance, securities, banking and other financial services 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. Now, I would like to highlight some of our FY15 accomplishments.

Keeping Insurance Safe and Affordable

The Department continues to play a significant role in the District's implementation of the Affordable Care Act of 2010. Notably, the Department has a critical role in supporting the operations of DC Health Link through the Department's review of the rates for all insurance plans to be sold on DC Health Link to ensure the rates are fair and reasonable.

As I reported previously, the Department's 2016 rate review process resulted in all insurers lowering their 2016 proposed rate increases – some by as much as 10 percent. Those changes represent an estimated savings of \$36,990,530 for all policyholders, or \$680.60 per policyholder. The Department's efforts to keep health insurance affordable was recently recognized in a study

by GoBankingRates.com where the District was found to have the seventh lowest health insurance rates in the Country.

Another major accomplishment for the Department is that it was re-accredited for another five years by the National Association of Insurance Commissioners. Accreditation demonstrates that the Department continues to meet national standards for regulating insurance companies.

While we have not completed the review of the Group Hospitalization and Medical Services, Inc. (Corporation) 2011 surplus as planned, we have made considerable progress to resolve some of the relevant issues. I had planned to make a determination related to the review in December 2015. However, I was forced to delay my determination upon the enactment of a federal law that amended the Corporation's Charter to prohibit the Corporation from reducing its surplus without the agreement of the District, Maryland and Virginia (Amendment).

The delay is necessary to determine how the Amendment might impact the current review. Given the Amendment and the importance of surplus review process, it is critical that our determination in the current surplus review is correct and able to withstand judicial challenge, and not have an adverse impact on our health insurance market. Nonetheless, I commit to continue working as quickly as possible to bring the 2011 surplus review to a final resolution, at least at the administrative agency level.

Facilitating Access to Capital for Local Businesses

The Department also 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. In FY15, the Department deployed \$2,576,521 to support 12 loans to small businesses to leverage a total of \$5,251,500 from private sector lenders.

The Department also supported entrepreneurship and local business through its new investment-based crowdfunding program. Three offerings were issued under the program to raise \$812,000 in FY15.

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 conduct outreach and education about these financing options to the District's small business community.

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 397 cases in FY15. In some of those cases, the offenders were sentenced to prison or probation, or fined (\$804,425 in fines levied through 21 enforcement orders). Other results included restitution to victims, and license suspension and revocation.

Resolving consumer complaints is another way we fulfill our consumer protection duty. In FY15, \$750,000 was returned to consumers through the Department's consumer complaint resolution program. Also, the Department's assistance in loan modifications will help District residents save more than a million dollars over the life of their mortgages.

Creating Pathways to the Middle Class by Enhancing the Financial Capabilities of District Residents

Taking on the Mayor's charge, the Department has an ongoing priority to work to improve the financial fitness of District residents. We support this effort through in-person outreach efforts, online programs and resources, and our Bank on DC program.

The Department provided in-person financial education and consumer protection information to 7,925 residents. Also, we continued to focus on educating seniors who increasingly are becoming targets of fraud. In FY15, staff presented at 21 senior-focused events across the City providing 908 seniors with financial education and consumer protection information.

Providing access to traditional banking services is another part of enhancing the financial capabilities of residents. The Department does this through its Bank on DC program which provides greater access to affordable banking services to households that would otherwise use check-cashers and other non-traditional financial services. On average, consumers who have opened an account through Bank on DC can save an estimated \$800 annually in fees. In FY15, Bank on DC opened 993 new accounts.

Preserve Housing by Preventing Foreclosures

The Department continues its foreclosure prevention efforts to assist homeowners. The Foreclosure Mediation Program is a beneficial foreclosure prevention tool for those homeowners who elect to mediate in order to avoid foreclosure. 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, through a contract, also provides homeowners facing foreclosure with legal assistance, housing counseling services and a foreclosure prevention hotline. In FY15, 183 homeowners received legal assistance in foreclosure cases pending in the D.C. Superior Court, 509 residents received housing counseling, 195 individuals attended weekly foreclosure prevention clinics, and the hotline processed 897 calls.

Now, I would like to highlight some of the Department's priorities and initiatives for the rest of 2016 and beyond, in addition to continuing its work in FY16 of its FY15 programs.

Protecting Consumers with Increased Financial Education and Community Engagement

- The Department will increase efforts to educate residents and businesses about financial services products so they can use them to create, build and protect wealth, as well as protect themselves against fraud and other dangers.
- The Department will implement an Elder Abuse Prevention Program to protect the financial wellbeing of seniors in support of the Mayor's goal to make the District an Age-Friendly City.

Supporting Financial Empowerment Through Access to Banking Services

- The Department will use its banking and small business capital surveys to develop long-term strategies to facilitate access to mainstream financial services for District residents and expand access to capital for small businesses.

Increasing Economic Development Opportunities by Facilitating Access to Capital

- The Department will work with participating lenders and other agencies to publicize the SSBCI and Crowdfunding programs more broadly.

Modernizing the Regulatory Environment and Attracting Financial Services Companies

- The Department will continue to review its laws and regulations to ensure the District has the best, streamlined, modern, and adaptable regulatory environment to make the District an attractive destination for existing and new financial services businesses.
- The Department will work with key stakeholders to create a marketing plan to promote the District's captive program to attract new captive insurance companies.

Conclusion

I believe we are well-positioned 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 providing a national and international financial center. As I close out my testimony, looking back at FY15 and looking forward into FY16, the Department is thankful for the support and leadership of Mayor Bowser. We would also like to thank Chairman Orange and Members of the Committee for your support and again for allowing me to appear before the Committee. I am happy to answer any questions you may have.