

**GOVERNMENT OF THE DISTRICT OF COLUMBIA  
DEPARTMENT OF INSURANCE, SECURITIES, AND BANKING**



**Fiscal Year 2017  
Performance Oversight Hearing**

**Testimony of  
Stephen C. Taylor  
Commissioner**

Before the  
Committee on Business and Economic Development  
Council of the District of Columbia  
The Honorable Kenyan McDuffie, Chairperson

John A. Wilson Building  
Room 500  
1350 Pennsylvania Avenue, NW  
Washington, DC 20004  
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1:00pm

Good afternoon, Chairperson McDuffie, councilmembers, 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 Department's accomplishments during Fiscal Years 2017 and 2018, to date.

Mayor Bowser's Fiscal Year 2017 Budget reflected our deep commitment to DC values by making investments that will provide all residents of the District of Columbia with the opportunity to succeed. We remain focused each day on creating pathways to the middle class by investing in education, affordable housing, infrastructure, public safety, and people. I would like to begin by highlighting some of the Department's FY 2017 accomplishments, which reflected our commitment to District residents.

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, supports economic development, and fosters business growth in the District.

### ***Preserving Affordable and Safe Insurance***

Making sure that insurance is safe and affordable is one of the Department's top priorities. The Department's analysis shows that District residents and small employers saved over \$10 million as a result of the Department's adjustments made during its rate review of the

2018 individual and small group health insurance plans, compared to the proposed rates originally filed by insurance companies.

As part of the rate review process, the Department also held its first-ever public hearing in FY 2017, using the forum to evaluate the 2018 health insurance rates. Dozens of witnesses presented testimony at the hearing, and the Department received over 700 written comments on the rates. The Department will continue to hold similar hearings regarding the rates in future rate reviews.

In January 2018, the Department conducted another public hearing, this time considering issues related to automobile insurance rates. The hearing featured the testimony of several experts and provided beneficial information for the Department to consider during future reviews of rate filings.

The Department has taken steps to be recognized as a national leader in insurance regulation. For the second consecutive year, the Department has partnered with several states to survey insurance company diversity through the Multistate Insurer Diversity Survey. Department leadership and staff also have assumed various leadership roles within the National Association of Insurance Commissioners (NAIC). For example, I was recently elected to the position of Secretary-Treasurer of the NAIC's Northeast Zone and as a member of the NAIC Executive Committee. I also was appointed to chair the Consumer Liaison Committee and the Consumer Participation Board of Trustees and serve as vice chair of the Receivership and Insolvency Task Force and the Risk Retention Group Task Force. These positions will enable me to promote the District's interests as they relate to national insurance regulatory practices to better protect District consumers.

### *Delivering Access to Capital for Local Businesses*

The Department continues to focus on Mayor Bowser's economic development goals by administering successful programs that provide capital for local small businesses. The Department's District of Columbia Business Capital (DC BizCAP) and crowdfunding programs continue to provide resources and strategic support to District small business owners.

DC BizCAP is supported through federal funds from the State Small Business Credit Initiative (SSBCI), and, to date, the \$7.2 million disbursed through DC BizCAP has leveraged nearly \$18 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.

The Department continues to examine methods of improving both these programs. Regarding DC BizCAP, the Deputy Mayor for Planning and Economic Development contracted with FUSE Corp for an executive-level fellow with a business background to work within the Department and review the program. The Fellow has met with lenders, investors, business owners, incubators, program staff, government officials, and other stakeholders to assess DC BizCAP.

Both these alternatives to traditional commercial financing support small business, create jobs, and promote greater economic opportunity. The Department continues to conduct outreach and education about these financing options to the District's small business community. For example, the Department's *Coffee and Capital* series is still going strong, and expanded in FY 2017. The Department introduced *Coffee and Capital: After Hours* to ensure that lenders and current or prospective business owners who are unable to attend during regular business hours

have an available option for participation. The *Coffee and Capital* events provide small business owners and lenders with detailed information about the Department's financing programs. These events are hosted at various locations throughout the District, and provide small business owners and entrepreneurs with an opportunity to interact with Department staff, program users, and lenders to learn more about opportunities for capital support to start or grow 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 activities. The Department investigated and addressed 160 cases in FY 2017. Three of the cases resulted in criminal convictions, with the defendants prosecuted by the U.S. Attorney after a referral from the Department. Convicted defendants were sentenced to prison, received probation, or were fined. Other results included restitution to victims, as well as license suspensions and revocations. The restitution amount for FY 2017 totaled \$755,110.75.

Resolving consumer complaints is another way in which we fulfill our consumer protection responsibilities. In FY 2017, The Department's Consumer Services Division handled more than 800 consumer complaints, and returned more than \$800,000 to District consumers.

### ***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 Mayor Bowser. The Department is working to make the District the most financially fit city in the nation through direct, in-person outreach efforts, online resources, and various programs.

The *Financially Fit DC* initiative, which the Mayor launched in January 2017 provides a comprehensive financial education and fitness program designed to empower all District residents to take control of their financial health. The core components include budget creation, credit management, the path to homeownership, building wealth, and retirement planning. Residents can participate in the program in a variety of ways, including a web-based financial assessment and learning tool, community-focused Financial Services Clinics, and the Homebuyers Club, an initiative designed to promote and prepare residents for homeownership in Wards 7 and 8. So far, more than 3,700 District residents, including over 2,600 young people between the ages of 14 and 24, have signed up to participate in *Financially Fit DC*. The Department has developed a Spanish language version of the web-based program that is currently being tested. The Spanish version will be available to the public in the next month.

Our *Bank on DC* program works specifically to guide District residents toward more cost effective financial products and services, such as savings and checking accounts, that reduce the financial impact of utilizing non-traditional financial products and services, such as check cashers. The program is a collaborative effort between the Department, financial institutions, and non-profit organizations to provide access to safe and affordable financial services and products, with a focus on unbanked and under-banked individuals. By partnering with financial institutions, such as banks and credit unions, the *Bank on DC* program advocates for accounts that have low minimum balance requirements and no or low-cost monthly fees. Additionally, the program provides financial education and empowerment sessions to District residents. During FY 2017, *Bank on DC* assisted 787 individuals to open bank accounts, saving approximately \$629,600 in fees. *Bank on DC* also taught more than 142 financial education-based classes and access to banking events in

FY 2017, and trained 25 youth to become financial education peer facilitators for the 2017 Marion S. Barry, Jr. Summer Youth Employment Program.

### ***Supporting Residents Working Through the Student Loan Repayment Process***

In FY 2017, the Department established the Student Loan Ombudsman position within the Department's Banking Bureau. The Student Loan Ombudsman serves as a valuable resource for District residents by helping them develop higher education funding strategies and navigate the loan repayment process. He also assists in the resolution of borrower complaints with student loan servicers, and regulation of student loan servicers.

The Ombudsman will attend several events this year where he will have the opportunity to interact with parents and students preparing for college, as well as graduates who are currently repaying student loans. The Ombudsman also holds regular office hours where he is available to meet one-on-one with borrowers, students, and parents to answer questions about student loan borrowing and repayment.

### ***Preserving Housing and Preventing Foreclosures***

The Department continues its foreclosure prevention efforts to assist homeowners to keep their homes. The Foreclosure Mediation Program is a beneficial foreclosure prevention tool for those homeowners who elect to mediate to avoid foreclosure. In FY 2017, 90 percent of mediations resulted in a positive outcome that included repayment plans and modifications.

The Department also partners with its vendor, Housing Counseling Services, Inc., to assist homeowners facing judicial foreclosure. Those services include legal assistance, housing counseling services, and a foreclosure prevention hotline. For example, since October 2016, the

Department's efforts, in conjunction with its vendor, have resulted in more than 1,900 residents receiving some form of assistance in judicial foreclosure proceedings, with 87 foreclosure modifications granted and 43 mortgages brought current in FY 2017.

***Department Progress since FY 2015***

I would now like to put our recent accomplishments in the context of our progress over the last few years. Since 2015, the Department has been on a solid upward trajectory. Successful programs have been expanded and continue to provide new benefits to District residents and businesses, while both consumers and industry partners have been able to depend on a consistent standard of excellence in the discharge of the Department's regulatory duties.

The Department's captive program licenses an average of 10 new captive insurance companies each year. Captives are formed by corporations, non-profits, and governmental entities, such as municipalities, to finance some or all of their risks. In some cases, insurance for certain risks may not be available in the commercial market. In other instances, the insurance may be available, but it is so expensive that it is not commercially reasonable to purchase the insurance from traditional commercial insurers. Captives only insure the risks of their owners. That is, captives do not sell insurance to the public. Since 2015, the following well-known organizations have formed captives or are using captives in the District: USA Swimming, Space X, the Boring Company, the University of California, JBG Smith Properties, Canon USA, Pride Industries, Fannie Mae, and Freddie Mac. The Department is engaged in conversations with representatives from other organizations, and is confident that new District captives will continue to form this year and beyond.



The Department's Banking Bureau has focused on developing new examination policies and procedures to enhance the regulatory oversight of non-depository and depository institutions. Along with the new policies and procedures, the Bureau has developed a more detailed reporting structure that incorporates the latest District laws and regulations as well as relevant federal laws. The new reports provide a much more in-depth review with a tracking matrix that tracks examination findings. Also, the Banking Bureau is now partnering on a regular basis with their counterparts at the Conference of State Bank Supervisors to conduct multi-state examinations of large national money transmitter companies as well as national mortgage companies and large mortgage servicer companies. Participating in these multi-state examinations is an excellent way to maximize resources and share knowledge and best practices; and demonstrates that the Department is an important strategic partner not only in the District but also across the United States.

Many of the Department's other programs have been ongoing since 2015. For example, the DC BizCAP programs continue to serve as a key source of funding for small businesses, as noted above. Since 2015, the Department has disbursed more than \$3 million to qualified small businesses under the Collateral Support Program alone. Beyond that, flagship programs like *Bank on DC* continue to have a meaningful impact on District residents in need of traditional banking and financial services products. Since 2015, approximately 2,500 District residents have received the Department's assistance in opening a bank account.

In addition, there has been marked growth in the Department's outreach and education efforts, both in the community and with industry partners. For example, in 2016, the Department reinstated its Insurance Advisory Committee (IAC), which includes various stakeholders from industry, consumers, and advocacy organizations. The IAC meets quarterly and provides input on

policy and regulatory decisions made by the Department. The IAC has been an invaluable tool to bring stakeholders from diverse backgrounds together to discuss significant insurance regulatory issues. The diversity of the group has led to increased consensus and reduced potential objections from stakeholders, while providing numerous recommendations for the Department's consideration. The Department also has spent a significant amount of time out in the community, with staff members participating in more than 800 events since 2015. These events have provided the Department with extraordinary opportunities to connect with residents and businesses and inform the public about the variety of resources the Department has available.

Finally, the Department has overseen the expansion of a number of successful programs since 2015. Most notably, the creation of the *Financially Fit DC* initiative is a direct testament to the efficacy of the Department's financial education and *Bank on DC* programs and the positive effect that they have had in terms of providing access to traditional financial services products. Expanding on the ideas behind *Bank on DC* to create a comprehensive financial fitness and education initiative has already positively impacted thousands of District residents, as noted earlier. The Department looks forward to further facilitating the growth and development of this initiative, in conjunction with its District government and community partners.

These are select examples that illustrate the exciting trajectory the Department has been on since 2015. The Department is grateful for the vision, leadership, and support of Mayor Bowser as the Department reviews the many successes from past years and looks forward into FY 2018.

### ***Department Priorities in FY 2018 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:

- Identifying new ways to ensure that the individual and small group health insurance markets remain stable and provide District residents continued access to a variety of affordable and comprehensive health insurance plans;
- Improving and expanding our consumer protection services, including increasing efforts to protect seniors and other vulnerable adults from financial exploitation and abuse;
- Working with participating lenders, local organizations, incubators, and other District agencies to use the DC BizCAP program to expand access to capital for small businesses;
- Promoting the availability of the Student Loan Ombudsman to assist residents with developing strategies to pay for college, navigating the loan repayment process, and resolving issues with student loan servicers;
- Expanding efforts to educate residents and businesses about financial services products and how they help residents and businesses create, build, and protect their wealth;
- Working with key stakeholders to promote the District’s captive program to attract new captive insurance companies; and
- Continuing our ongoing review of Department 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.

### ***Conclusion***

The Department remains committed to executing its mission to protect consumers and support the District’s economic development goals in the most efficient manner possible. The Department continues to evaluate resources, processes, and procedures to ensure that we are

providing superior service to our constituents and establishing the District as a national and international financial center.

In closing, I would like to thank you, Chairperson McDuffie, for your leadership and support. I appreciate the opportunity to share the Department's accomplishments and plans for continuous improvement and look forward to continuing to work with the Committee. This concludes my testimony. I am happy to address your questions at this time.