

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



Fiscal Years 2020-2021
Performance Oversight Hearing

Testimony of

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Commissioner

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 morning, Chairperson McDuffie, Committee members, and staff. I am Karima Woods, Commissioner of the Department of Insurance, Securities, and Banking (DISB). On behalf of Mayor Muriel Bowser, I appreciate the opportunity to testify today on the Department's accomplishments during Fiscal Years 2020 and 2021, to date.

DISB's 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; and (3) provide financing for small businesses. We accomplish this by effectively regulating the District's financial services industries to ensure District residents have access to a wide choice of financial services and service providers. DISB also promotes a positive business climate that encourages fair and open competition, supports economic development, and fosters business growth in the District. Mayor Bowser's Fiscal Year 2021 budget made investments that supported our efforts to deliver on the promise of our shared DC values, even amid battling the worldwide COVID-19 pandemic. Despite the difficulties brought about by COVID-19, DISB remains committed to serving and protecting District residents and consumers, which is consistent with the Mayor's vision.

Financial Services Regulation in COVID-19

Government must remain agile and nimble in the face of changing circumstances brought about by COVID-19. This theme informs how DISB delivers both its regulatory responsibilities and the financial and consumer education programs that we provide. We have worked diligently to ensure that DISB continues to remotely administer both its regulatory program and the key special programs that offer the most direct benefit to residents.

Our core functions as the District's financial services regulator have moved forward unabated, even as the agency operates in a full telework posture. We have continued to work vigorously to keep health insurance in the District reliable and affordable. Our analysis shows that District residents and small employers saved over \$17 million as a result of the adjustments made during DISB's rate review of the 2021 individual and small group health insurance plans. DISB also has worked diligently to promote more choice in financial services providers, approving the charter application of a new local bank for the first time since 2005. In FY 2020, DISB's Consumer Services Division resolved more than 500 consumer complaints and returned more than \$1 million to District consumers. Our Insurance, Securities, Banking and Risk Finance Bureaus take great care in licensing and monitoring thousands of regulated entities to protect District consumers and businesses while promoting individual financial health and robust economic expansion.

The COVID-19 public health emergency placed additional responsibility on DISB, not only to accurately respond to the needs of consumers and licensees, but to do so quickly. Operating in the declared emergency has required a great deal of agility in terms of necessary modifications to agency policies. I have had to issue several emergency orders, bulletins, and guidance documents governing the activities of the entities that DISB regulates including health insurers, property and casualty insurers, appraisal management companies, and mortgage loan originators. During the public health emergency, DISB also has taken steps to modify regulatory filing requirements to ensure that insurers, securities firms, and non-depository institutions remain able to comply; and designated several essential business categories within the financial services sector consistent with the authority provided by Mayor Bowser.

Programs Directly Serving Residents and Businesses

Mayor Bowser remains committed to improving the financial fitness of District residents and businesses. DISB takes the responsibility of providing financial education and small business development opportunities very seriously and has worked to improve the District's financial fitness through direct outreach efforts, online resources, and a variety of engagement programs.

The key objective of DISB's Office of Financial Empowerment and Education is ensuring that the District's Financial Empowerment Center (FEC) is operational by the end of FY 2021. The FEC will provide professional one-on-one counseling services to low-to-moderate income District residents to bolster their ability to build and protect assets, address current financial challenges, and plan for a viable financial future. As a precursor to the FEC, DISB has again partnered with the Cities for Financial Empowerment (CFE) and the United Planning Organization (UPO), a local non-profit organization, to develop a Financial Navigators program in the District. This free service will provide residents with financial triage to aid in determining the most relevant resources for their financial needs.

The Financially Fit DC and the Bank on DC programs continue to provide comprehensive financial education designed to empower all District residents to take control of their financial health and guide District residents toward more cost-effective traditional financial products and services, such as savings and checking accounts. DISB also maintained its partnership with the Department of Employment Services, acting as the financial education liaison for the 2020 Marion S. Barry, Jr. Summer Youth Employment Program. Most notably, the DC Opportunity Accounts program, a matched savings program that provides funds for use

to pay for job training, first-time home purchases, and start-up costs for a small business, is expanding in 2021. Since the program re-launched in FY 2019, more than 200 residents have participated. With programmatic changes to ensure greater flexibility and \$1.2 million budgeted in FY 2021, we are excited to serve and assist even more residents through Opportunity Accounts.

The DC BizCAP program has distributed more than \$8 million to small businesses, thereby leveraging nearly \$18 million from private sector lenders and investors. We continue to examine ways to improve the program through interaction with lenders, investors, business owners, incubators, government officials, and other stakeholders. In FY 2020, the DC BizCAP program completed four transactions totaling \$2,250,000. The four transactions were for businesses located in Wards 2, 4, 5, and 6. So far in FY 2021, we have completed one transaction for \$500,000 for a business that will open in Ward 8.

Diversity, Equity, Inclusion...and Innovation

The District of Columbia Financial Services Regulatory Sandbox and Innovation Council issued its feasibility report to Mayor Bowser in October 2020. The Mayor and the Sandbox Council support the creation of a regulatory sandbox in the District, and DISB is working to bring that vision to fruition. A regulatory sandbox can generally be defined as a testing environment where approved entities are permitted to experiment with innovative business models, services, or products with some combination of reduced regulatory burden. I would like to thank the Sandbox Council, as well as the interested members of the public who shared ideas with us, for their efforts and continued partnership as we move forward in creating the sandbox.

In FY 2020, DISB also established a Working Group on Diversity, Equity, and Inclusion (DEI) to conduct analysis and report back to DISB staff and key internal/external stakeholders quarterly throughout FY 2021. The Working Group's efforts will focus on a variety of issues including proposing recommendations to DISB leadership on actions the Commissioner should implement internally to ensure that DISB operates from a lens of diversity, equity and inclusion, with emphasis on ongoing diversity trainings, reviewing hiring and recruiting practices, internship programs, engaging staff on DEI issues, and ensuring that managers are trained and equipped to manage through the lens of equity and inclusion. The DEI Initiative also will gather and analyze the level of diversity and inclusion within the insurance, securities, and banking industries in the District. We have already begun to engage with a broad group of stakeholders on issues related to racial diversity and inclusion within these local industries. Our external partners have expressed enthusiasm with the aims of the Initiative and are excited about the direction of the Initiative.

DISB looks forward to partnering with you, the Committee and Council's Office on Racial Equity in the important efforts surrounding diversity, equity, and inclusion in the District.

Conclusion

DISB has proven that it is prepared to respond to emergency circumstances, while still maintaining the high standard of regulation on which our licensees have come to depend. We remain committed to our mission of protecting consumers, supporting the District's economic development goals in the most efficient manner possible and reinforcing the District's status as a national and international financial services center.

In closing, I would like to thank you, Chairperson McDuffie, for your leadership and support. I appreciate the opportunity to share DISB's accomplishments, as well as our plans for innovation and improvement. I look forward to continuing to work with the Committee. I am happy to answer your questions at this time.