

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



Fiscal Years 2023-2024
Performance Oversight Hearing

Testimony of

Karima Woods

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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9:30 AM

Good morning, Chairperson McDuffie, Committee members, staff, and District residents. I am Karima Woods, Commissioner of the Department of Insurance, Securities and Banking, also known as DISB. On behalf of Mayor Muriel Bowser, I appreciate the opportunity to testify today on the Department's significant accomplishments during Fiscal Years 23 and 24, to date, and on our unwavering support of District residents and small business owners.

The Department 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 for small businesses. We accomplish this by effectively regulating the District's financial services industry to ensure District residents have access to a wide array of financial services, products, and providers. We also work to sustain a District business climate that encourages fair and open competition.

Delivering on our Regulatory Mandate

The Department remains committed to ensuring that insurance is equitable, accessible, and affordable in the District. One of the ways we accomplish this is through our review of individual and small employer group health plans sold through DC Health Link, which led to \$3 million in savings for District residents and employees in FY23. We are prioritizing diversity, equity, and inclusion initiatives and, as part of these efforts, the Department is completing its report on unintentional bias in auto insurance, a multi-year project analyzing the use of nondriving factors in ratemaking and underwriting to determine if these practices result in unintentional bias against protected classes. The Insurance Bureau also created a diversity, equity, and inclusion webpage where residents can get more information about university programs, in-demand career information, professional development, insurance associations, and

organizations focusing on or having resources related to DEI issues.

Health Equity Fund

I'm pleased to share that the Health Equity Fund has made significant progress awarding grants to organizations addressing healthcare disparities in the District. To date, the Health Equity Fund has awarded grants totaling \$21.8 million to 46 District-based non-profit organizations engaged in health and health-related activities in the District. In January of 2023, the Health Equity Committee opened its second health equity fund grant opportunity. The second grant round focused on Policy, Advocacy and Systems Change. The Committee initially allocated \$9.5 million for the second round. However, the Committee increased the allocation and awarded \$12.5 million to 14 organizations in June of 2023. The third grant round is underway and will focus on Investing in Disruptive and Innovative Models.

Protecting the insurance market so that consumers have access to affordable insurance is a mandate that we take seriously. That is why DISB joined fellow state insurance regulators in adopting the international Task Force on Climate-Related Financial Disclosures (TCFD). The TCFD standard is the international benchmark for climate risk disclosure that gives insurance commissioners greater oversight over insurance companies' strategy for addressing climate change through investments, board governance, and all areas of operations. During FY 2023, the agency asked insurers to complete a climate risk disclosure survey that helps the agency and the public better understand the climate-related risks to the insurance market.

Protecting Residents from Financial Fraud and Scams

Another core focus and responsibility of the Department is protecting consumers from fraud, scams, and unfair or illegal practices. Our Compliance and Analysis Division, our Enforcement and Consumer Protection Division, and our Securities Bureau work to fulfill these

obligations.

The Department participated in a multi-state investigation of Nexo Capital, a cryptocurrency-lending account issuer, leading to a \$424,000 settlement. The Department also investigated two large-scale District consumer scams. Both have successfully been referred to federal criminal authorities and investigations are ongoing.

In FY23, the Department closed 769 consumer complaints, and recovered more than \$1.7 million for constituents. Through the consumer complaint disposition process, the Department assisted in recovering money on behalf of District residents, educated consumers, and helped hold financial institutions accountable and compliant with District laws and regulations.

As part of a comprehensive effort to promote flood insurance, the Department ran an ad campaign at Metro stations promoting the importance of flood insurance at several District festivals and events, and hosted Flood Awareness Day at Nationals Park on June 22.

Through outreach, communications and public events, we get the word out about the programs and services we offer. The Department planned, hosted, and participated in dozens of events in FY23, sharing information and connecting residents with resources related to life insurance and estate planning, title insurance, flood insurance, navigating the student loan process, and financial literacy and resiliency, as well as investing in securities, alternative investment products, annuities, the risks of cryptocurrency and digital assets, and scams targeting seniors.

We issued 21 consumer alerts in FY23 and another three in the first quarter of FY24, in addition to publishing five podcasts and participating in 14 radio and television interviews to promote resources to as many residents and small business owners as possible.

Foreclosure Prevention and Mediation

Another way that DISB fulfills its mission is by actively seeking to prevent foreclosure and assist homeowners in keeping their homes. In FY23, the Foreclosure Prevention and Mediation Program was successful in helping 137 homeowners obtain relief under the Homeowner Assistance Fund. The foreclosure prevention program prevented 213 foreclosures in FY23. Our efforts resulted in saving \$102.3 million in property value in FY23 and \$2.4 million in property value in the first quarter of FY24. The Department also conducts community outreach regarding foreclosure prevention services through social media posts, radio advertisements, and virtual outreach events.

Student Loan Ombudsman

The work of the Department's Student Loan Ombudsman continued to expand in FY23. The Student Loan Ombudsman led the District's effort in collaborating with the U.S. Department of Education (ED), the District's Office of the Attorney General, and other District government agencies along with the Student Borrower Protection Center to provide 26 virtual and in-person workshops about the Public Service Loan Forgiveness (PSLF) process that reached 2,578 residents. In addition, the Ombudsman's office received and responded to more than 10,000 email requests for assistance and guidance related to student loan forgiveness.

In FY23, the Ombudsman's direct assistance to District residents resulted in the discharge of \$1,273,270 of student loan debt, a 21% increase over the prior fiscal year.

From October 1, 2021, to December 7, 2023, 4,260 District student loan borrowers received \$378.2 million of forgiveness through the PSLF program. Additionally, another 2,510 borrowers have been identified thus far to receive student loan forgiveness of \$148.3 million through the one-time Income Driven Repayment adjustment process; this process will be completed by July 2024.

Greater Equity through Financial Education and Empowerment

Through the Department's Office of Financial Empowerment and Education, we assisted District residents in their financial journeys through innovative programs such as Bank on DC, Financially Fit DC, the Opportunity Accounts Program, and the Earned Income Tax Credit program. In FY23 and FY24 to date, the Bank on DC Program engaged with workforce development participants, returning citizens, and community-based organizations to connect residents to safe and affordable banking products and services. Ultimately, we reduced the number of unbanked District residents from 8% to 4%.

The DC Opportunity Accounts Program is a 4:1 matched savings program that helps qualified District residents pay for a variety of expenses, including education, first-time home purchases, small business development, and retirement. Since this program began in 2019, we have empowered 790 residents to begin their savings journey and create more financial resilience and stability in their households. In FY 23, 124 residents each received \$7,500 in matched savings for a total of \$930,000. This program continues to support District residents in meeting their financial goals.

Additionally, the United Planning Organization manages the DISB Financial Empowerment Center, also referred to as the FEC, in Ward 8. The FEC provides residents with one-on-one counseling to help build and protect assets, address financial challenges, and plan for viable financial futures. Trained counselors assist residents with a variety of asset-building programs. During FY23, the center worked with approximately 1,800 District residents. Additionally, the counselors held more than 1,000 one-on-one client counseling sessions.

In FY23, the Department provided one-on-one financial counseling for returning citizens, which reduces recidivism. DISB also partnered with 16 organizations to host more than 70 returning citizens at our first Financial Empowerment Summit in September 2023.

I encourage all residents to visit our website, disb.dc.gov, to learn more about our various programs, particularly the Earned Income Tax Credit (EITC) program, which is currently assisting residents by providing free tax preparation services for those who are eligible to receive federal and District earned income tax credits.

Helping Our Small Businesses Grow

The Department is also committed to supporting the Mayor's Comeback Plan, which reflects the city's five-year economic development strategy for residents' economic mobility and small business growth and expansion.

Through the Department's District of Columbia Business Capital Access Program (DC BizCAP), we provide necessary capital to District small business owners and entrepreneurs, including those who are Certified Business Enterprises, and minority- and woman-owned.

In FY23, the Department provided more than \$2.95 million in funding to four District small businesses in Wards 2, 5, and 6. In FY23, DC BizCAP support helped create 81 jobs and provided \$5.5 million in private capital to District small businesses. Since the inception of the DC BizCAP Program, DISB has provided more than \$20.5 million in funding to 43 businesses across all eight Wards. The support was used to help these small businesses access more than \$52 million in private capital. As a result, participating small businesses were able to create or retain more than 2,100 District-based jobs.

DC BizCAP expanded relationships with locally based Community Development Financial Institutions (CDFIs) to assist in deploying funds to socially and economically

disadvantaged (SEDI) businesses. At the end of FY 2023, DISB received \$19.8 million from the U.S. Department of the Treasury to support small businesses in the District. This is the first of three tranches of funding totaling \$62 million that will be used to assist District small businesses.

The Department also spearheaded the Small Business Expo at the Martin Luther King Jr. Library during Small Business Week in May. This expo brought local entrepreneurs together with lenders and financial professionals to connect resources and discuss ways to grow small businesses in the District.

DISB's captive insurance program continues to grow and the District is one of the country's leading jurisdictions for captives, wholly owned subsidiaries providing insurance to a parent company. In FY 2023, the Department licensed 28 captive insurance companies, including those owned by Monsanto, The Boring Company, Arm & Hammer, and Lockheed Martin. This is the highest number of captives licensed in any one fiscal year since the Department began licensing captive insurance companies in 2001. Overall, DISB has licensed more than 350 captive insurance companies.

Departmental Growth and Progress

The performance of the Department is made possible by the talented, dedicated and hard-working professionals at DISB, and I am pleased to share some of the efforts the Department made in regard to its workforce. In FY23, the Department focused not only on recruitment, but on providing opportunities for advancement to current employees. DISB filled more than 27 vacancies and processed 10 hiring actions that resulted in promotions for DISB employees. We also hired more than 40 interns through our Financial Services Academy. The Insurance Bureau continued the Department's association with the risk management program at Gallaudet University by hosting two interns this past summer and hosted an insurance regulator from

Thailand through the NAIC's International Fellows Program. DISB is committed to advancing the careers of current employees and creating a pipeline for future financial services professionals.

Conclusion

In closing, as the District continues to work towards its comeback, DISB remains firm in our commitment to empower, protect, and advance residents and small business owners in their financial journeys. We are committed to equitable access to high-quality financial services in insurance, securities and banking. I would like to thank you, Chairperson McDuffie, and the members of the Committee for your leadership and support. I appreciate the opportunity to share the many ways that DISB fulfills its financial services mission and I look forward to continuing to work with the Committee. I am happy to answer your questions at this time.