

Department of Insurance, Securities, and Banking

www.disb.dc.gov

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Description	FY 2010 Actual	FY 2011 Approved	FY 2012 Proposed	% Change from FY 2011
Operating Budget	\$15,012,569	\$15,087,596	\$17,042,318	13.0
FTEs	92.4	101.8	111.8	9.8

The mission of the Department of Insurance, Securities, and Banking (DISB) is two-fold: 1) to provide thorough, efficient, and prompt regulatory supervision of the financial services operating in the District of Columbia for the protection of the residents in the District of Columbia and 2) to create conditions that will attract and retain financial service firms to the District of Columbia.

Summary of Services

DISB regulates the following financial services entities: (1) insurance companies, insurance producers, health maintenance organizations, captive insurance companies, and risk retention groups; (2) investment advisors, investment advisor representatives, broker-dealers, broker-dealer agents, securities offerings, issuers, and agents of issuers; and (3) District and state-chartered banks, mortgage lenders and brokers, mortgage loan originators, check cashers, money transmitters, consumer-sales-finance companies, money lenders, and consumer-credit-service organizations.

The agency's FY 2012 proposed budget is presented in the following tables:

FY 2012 Proposed Gross Funds Operating Budget, by Revenue Type

Table SR0-1 contains the proposed FY 2012 agency budget compared to the FY 2011 approved budget. It also provides FY 2009 and FY 2010 actual expenditures.

Table SR0-1
(dollars in thousands)

Appropriated Fund	Actual FY 2009	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Percent Change*
General Fund						
Special Purpose Revenue Funds	15,204	14,953	15,088	17,042	1,955	13.0
Total for General Fund	15,204	14,953	15,088	17,042	1,955	13.0
Intra-District Funds						
Intra-District Funds	60	60	0	0	0	N/A
Total for Intra-District Funds	60	60	0	0	0	N/A
Gross Funds	15,264	15,013	15,088	17,042	1,955	13.0

*Percent change is based on whole dollars.

Note: If applicable, for a breakdown of each Grant (Federal and Private), Special Purpose Revenue type and Intra-District agreement, please refer to **Schedule 80 Agency Summary by Revenue Source** in the **FY 2012 Operating Appendices** located on the Office of the Chief Financial Officer's website.

FY 2012 Proposed Full-Time Equivalents, by Revenue Type

Table SR0-2 contains the proposed FY 2012 FTE level compared to the FY 2011 approved FTE level by revenue type. It also provides FY 2009 and FY 2010 actual data.

Table SR0-2

Appropriated Fund	Actual FY 2009	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Percent Change
General Fund						
Special Purpose Revenue Funds	98.5	92.4	101.8	111.8	10.0	9.8
Total for General Fund	98.5	92.4	101.8	111.8	10.0	9.8
Total Proposed FTEs	98.5	92.4	101.8	111.8	10.0	9.8

FY 2012 Proposed Operating Budget, by Comptroller Source Group

Table SR0-3 contains the proposed FY 2012 budget at the Comptroller Source Group (object class) level compared to the FY 2011 approved budget. It also provides FY 2009 and FY 2010 actual expenditures.

Table SR0-3

(dollars in thousands)

Comptroller Source Group	Actual FY 2009	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Percent Change*
11 - Regular Pay - Cont Full Time	8,551	8,324	8,173	9,304	1,132	13.8
12 - Regular Pay - Other	261	389	361	252	-110	-30.3
13 - Additional Gross Pay	209	251	113	113	0	0.0
14 - Fringe Benefits - Current Personnel	1,617	1,675	1,561	1,934	373	23.9
15 - Overtime Pay	11	1	21	21	0	0.0
Subtotal Personal Services (PS)	10,649	10,640	10,229	11,624	1,395	13.6
20 - Supplies and Materials	54	38	75	75	0	0.0
31 - Telephone, Telegraph, Telegram, Etc.	72	72	85	85	0	0.0
32 - Rentals - Land and Structures	1,930	2,013	1,621	1,763	141	8.7
33 - Janitorial Services	0	0	0	23	23	N/A
35 - Occupancy Fixed Costs	0	7	0	0	0	N/A
40 - Other Services and Charges	971	823	1,297	1,334	37	2.9
41 - Contractual Services - Other	88	10	81	200	119	145.6
50 - Subsidies and Transfers	984	1,072	1,097	1,337	240	21.9
70 - Equipment and Equipment Rental	516	338	602	602	0	0.0
Subtotal Nonpersonal Services (NPS)	4,615	4,372	4,858	5,418	560	11.5
Gross Funds	15,264	15,013	15,088	17,042	1,955	13.0

*Percent change is based on whole dollars.

Division Description

The Department of Insurance, Securities, and Banking operates through the following 6 divisions:

Insurance Bureau - monitors the financial solvency of insurance companies operating in the District of Columbia; issues licenses to insurance companies, insurance producers, and related entities; resolves consumers complaints; approves rates and policy forms of insurance products marketed in the District; and monitors underwriting, policy holder services, claims, marketing, producer licensing, and the complaint handling processes of licensed insurers.

This divisions contains the following 7 activities:

- **Forms Analysis** - reviews all types of insurance and Health Maintenance Organization policy forms and actuarial memoranda to determine whether they conform to District insurance laws and regulations;
- **Market Conduct** - conducts examinations and analysis of all types of insurance companies and Health Maintenance Organizations to determine whether the underwriting, policyholder service, claims, marketing and sales, producer licensing, and complaint handling processes are in compliance with District Code and National Association of Insurance Commissioners (NAIC) examination standards;

- **Health Maintenance Organization (HMO)** - provides solvency and compliance monitoring, rate approval, and technical assistance for the HMO industry, other regulators, and the public so that there is a viable managed care insurance market in the District;
- **Consumer Services** - accepts and resolves consumer complaints against insurance companies and producers;
- **Professional Services** - governs the licensing of insurance companies, fraternal benefit organizations, insurance producers, insurance agencies and premium finance companies as well as HMOs operating in the District and is responsible for planning and implementing the comprehensive pre-licensing and continuing education programs for insurance agents and brokers;
- **Financial Regulatory** - provides solvency and compliance monitoring, rate approval, and technical assistance for the insurance industry, other regulators, and the public so that there is a viable insurance market in the District; and
- **Actuarial Analysis** - analyzes rating rules, rate manuals and rating schedules issued by insurance companies and HMOs, and conducts actuarial and statistical analysis of rate increase requests, maintaining a database for claims and investment experience.

Enforcement Bureau - directs well-designed programs to detect and to provide prompt assistance in the prosecution of fraudulent financial operations and services for residents and businesses in the District.

This division contains the following 2 activities:

- **Enforcement** - provides regulatory guidance, training, data analysis and reporting guidelines for securities/insurance entities, DISB, and other jurisdictions so that they can be in compliance with insurance and securities requirements; and
- **Investigations** - provides investigations and remedies to individuals, insurance, securities and banking entities, and other jurisdictions in order to prevent, detect, and prosecute insurance, securities and banking fraudulent activities.

Risk Finance Bureau - markets the District as an attractive jurisdiction for the formation of captive insurance companies and maintains regulatory over-

sight of captive insurers and certified capital companies (CAPCOs) that operate or plan to do business in the District.

This division contains the following activity:

- **Financial Analysis** - provides solvency and compliance monitoring, technical assistance to other regulators, and licenses to captive insurance companies and risk retention groups.

Securities and Banking Bureau - administers all regulatory activities of stock and investment firms in the District to proactively protect District residents against malpractice and fraud by securities professionals.

This division contains the following 3 activities:

- **Corporate Finance** - provides effective review and analysis about certain securities offerings to investors so that they can receive full disclosure as required by the District Code;
- **Securities and Banking Examination** - provides public information, performs examinations of financial condition and regulatory compliance of securities firms and their representatives so that they can have effective measures for achieving compliance with the District Code; and
- **Securities and Banking Licensing** - provides licensing and registration services for securities professionals so that they are in compliance with the District Code.

Agency Management - provides for administrative support and the required tools to achieve operational and programmatic results. This division is standard for all agencies using division-based budgeting.

Agency Financial Operations - provides comprehensive and efficient financial management services to, and on behalf of, District agencies so that the financial integrity of the District of Columbia is maintained. This division is standard for all agencies using division-based budgeting.

Division Structure Changes

The proposed division structure changes are provided in the Agency Realignment appendix to the proposed budget, which is located at www.cfo.dc.gov on the Annual Operating Budget and Capital Plan page.

The Department of Insurance, Securities and Banking was required by law to merge the Banking Bureau with the Securities Bureau. The Budget Support Act of 2010, Bill 18-731, required this action.

FY 2012 Proposed Operating Budget and FTEs, by Division and Activity

Table SR0-4 contains the proposed FY 2012 budget by division and activity compared to the FY 2011 approved budget. It also provides the FY 2010 actual data.

Table SR0-4

(dollars in thousands)

Division/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011
(1000) Agency Management Program								
(1010) Personnel	0	85	98	13	0.9	1.0	1.0	0.0
(1017) Labor Partnership	74	67	70	3	0.9	1.0	1.0	0.0
(1040) Office of Information Technical and Support	979	955	922	-32	11.9	8.0	11.0	3.0
(1055) Risk Management	532	260	248	-12	3.6	5.0	2.0	-3.0
(1080) Public Affairs	425	317	325	9	2.7	3.0	3.0	0.0
(1090) Performance Management	407	427	569	141	3.6	3.0	4.0	1.0
(1095) Consumer Protection	0	259	0	-259	0.0	3.0	0.0	-3.0
Subtotal (1000) Agency Management Program	2,418	2,370	2,233	-137	23.7	24.0	22.0	-2.0
(100F) Agency Financial Operations								
(110F) Budget Operation	152	121	127	6	0.9	1.0	1.0	0.0
(120F) Accounting Operations	365	379	386	6	3.6	4.0	4.0	0.0
(130F) ACFO	161	165	173	7	0.9	1.0	1.0	0.0
Subtotal (100F) Agency Financial Operations	678	666	685	19	5.5	6.0	6.0	0.0
(2000) Insurance								
(2010) Insurance Products	3,041	0	0	0	1.0	0.0	0.0	0.0
(2020) Consumer and Professional Licensing	1,154	0	0	0	10.0	0.0	0.0	0.0
(2030) Financial Examination	886	0	0	0	8.2	0.0	0.0	0.0
(2040) Forms Analysis	0	2,753	3,149	396	0.0	6.0	6.0	0.0
(2045) Market Conduct	0	170	177	7	0.0	1.0	1.0	0.0
(2050) HMO	450	464	623	159	2.7	1.0	3.0	2.0
(2055) Consumer Services	0	666	1,071	405	0.0	6.0	11.0	5.0
(2060) Professional Services	0	362	521	159	0.0	5.0	6.0	1.0
(2065) Financial Regulatory	0	617	683	66	0.0	5.8	7.3	1.5
(2070) Actuarial Analysis	0	296	379	83	0.0	4.0	4.5	0.5
Subtotal (2000) Insurance	5,532	5,328	6,603	1,275	22.0	28.8	38.8	10.0
(3000) Securities								
(3010) Corporate Finance	1,427	1,391	0	-1,391	5.0	4.5	0.0	-4.5
(3020) Securities Examination	585	552	0	-552	4.8	5.2	0.0	-5.2
(3030) Securities Licensing	433	397	0	-397	3.9	4.2	0.0	-4.2
Subtotal (3000) Securities	2,445	2,341	0	-2,341	13.7	14.0	0.0	-14.0

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Table SR0-4 (Continued)

(dollars in thousands)

Division/Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011	Actual FY 2010	Approved FY 2011	Proposed FY 2012	Change from FY 2011
(4000) Enforcement								
(4010) Compliance	196	0	0	0	1.4	0.0	0.0	0.0
(4020) Investigative	695	0	0	0	6.8	0.0	0.0	0.0
(4050) Enforcement	0	301	207	-94	0.0	2.5	1.5	-1.0
(4060) Investigations	0	699	821	122	0.0	6.5	7.5	1.0
Subtotal (4000) Enforcement	891	1,000	1,028	28	8.2	9.0	9.0	0.0
(5000) Banking								
(5010) Depository	609	0	0	0	2.3	0.0	0.0	0.0
(5020) Non-Depository	1,130	0	0	0	9.6	0.0	0.0	0.0
(5055) Examination	0	1,680	0	-1,680	0.0	7.5	0.0	-7.5
(5060) Licensing	0	426	0	-426	0.0	5.5	0.0	-5.5
Subtotal (5000) Banking	1,739	2,106	0	-2,106	11.9	13.0	0.0	-13.0
(6000) Risk Finance								
(6010) Compliance	714	0	0	0	1.8	0.0	0.0	0.0
(6020) Financial Analysis	597	1,277	1,511	234	5.5	7.0	8.0	1.0
Subtotal (6000) Risk Finance	1,310	1,277	1,511	234	7.3	7.0	8.0	1.0
(7000) Securities and Banking								
(7010) Corporate Finance	0	0	2,951	2,951	0.0	0.0	7.5	7.5
(7020) Securities and Banking Examination	0	0	1,226	1,226	0.0	0.0	11.2	11.2
(7030) Securities and Banking Licensing	0	0	805	805	0.0	0.0	9.2	9.2
Subtotal (7000) Securities and Banking	0	0	4,983	4,983	0.0	0.0	28.0	28.0
Total Proposed Operating Budget	15,013	15,088	17,042	1,955	92.3	101.8	111.8	10.0

(Change is calculated by whole numbers and numbers may not add up due to rounding)

Note: For more detailed information regarding the proposed funding for the activities within this agency's divisions, please see Schedule 30-PBB Program Summary by Activity in the FY 2012 Operating Appendices located on the Office of the Chief Financial Officer's website.

FY 2012 Proposed Budget Changes

Intra-Agency Adjustments: The Department of Insurance, Securities and Banking (DISB) will continue to be funded entirely by Special Purpose Revenue funds. Collectively, other services and charges, contractual services, subsidies and transfers, and janitorial services will increase by \$418,202 across multiple programs; and the fixed cost estimate for rent will increase by \$141,423. DISB will add an additional 12.0 FTEs at a cost of \$854,008 in personal services. These FTEs are needed for the

increased workload for the agency based upon changing legislation. The agency will also increase Special Purpose Revenue funds by \$229,035 to account for the historical growth rate in fringe benefits and \$462,054 to align the personal services budget with projected expenses.

Transfer Out: A provision in the FY 2010 Budget Support Act provided that 2.0 FTEs transfer from DISB to the Office of the Attorney General.

FY 2011 Approved Budget to FY 2012 Proposed Budget, by Revenue Type

Table SR0-5 itemizes the changes by revenue type between the FY 2011 approved budget and the FY 2012 proposed budget.

Table SR0-5
(dollars in thousands)

	PROGRAM	BUDGET	FTE
SPECIAL PURPOSE REVENUE FUNDS: FY 2011 Approved Budget and FTE		15,088	101.8
Cost Increase: Additional FTEs salary and fringe benefits	Multiple Programs	854	12.0
Cost Increase: Adjust personal services with projected expenditures	Multiple Programs	462	0.0
Cost Increase: Increase subsidies and transfers	Multiple Programs	240	0.0
Cost Increase: Adjust fringe benefits based on historical growth rate	Multiple Programs	229	0.0
Cost Increase: Revise fixed cost estimate for rent	Multiple Programs	141	0.0
Cost Increase: Increase contractual services	Multiple Programs	119	0.0
Cost Increase: Increase other services and charges	Multiple Programs	37	0.0
Cost Increase: Fixed cost estimate for janitorial services	Multiple Programs	23	0.0
Transfer Out: FTEs to the Office of the Attorney General per FY 2010 BSA	Agency Management Program	-150	-2.0
FY 2012 Initial Adjusted Budget		17,042	111.8
SPECIAL PURPOSE REVENUE FUNDS: FY 2012 Proposed Budget and FTE		17,042	111.8
Gross for SR0 - Department of Insurance, Securities, and Banking		17,042	111.8

Agency Performance Plan

The agency has the following objectives and performance indicators for their divisions:

1. Insurance Bureau

Objective 1: Increase the affordability and availability of health insurance coverage.

Objective 2: Increase the amount of consumer insurance information available on the DISB web site.

Insurance Bureau

Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Percentage of written insurance complaints resolved within 45 days of receipt ¹	90.71%	85%	97.41%	90%	95%	95%
Percentage of rate and form filings approved, accepted, or rejected within 30 days of receipt ²	95.45%	95%	92.7%	95%	95%	95%

2. Banking Bureau

Objective 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

Banking Bureau

Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Percentage of complete non-depository financial institution applications (initial and renewal) processed within 30 days	Not Available	Not Available	Not Available	Baseline	75%	75%
Percentage of written banking complaints resolved within 45 days of receipt ³	96%	85%	98%	85%	87%	90%

3. Securities Bureau

Objective 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

Securities Bureau

Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Percentage of District-based investment firms examined for compliance within 12 months ⁴	24%	20%	6.63%	25%	20%	20%
Percentage of securities notice filings processed within 30 days ⁵	93%	85%	53%	90%	85%	95%
Number of District residents receiving financial literacy training and consumer protection information	1,117	600	1,118	700	800	900

4. Enforcement and Investigation Bureau

Objective 1: Improve DISB's Antifraud program through prevention, detection and enforcement activities.

Objective 2: Protect District residents from Insurance Producer violations and improve DISB's Insurance Enforcement program.

Objective 3: Improve the DISB Antifraud Consumer Protection mission by developing and maintaining initiatives in financial literacy and outreach.

Enforcement and Investigation Bureau⁶

Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Percentage of open investigative cases reviewed within 90 days for correctness and compliance with investigative procedures ⁷	100%	85%	100%	90%	90%	95%
Number of District residents receiving financial literacy training and consumer protection information ⁸	1,117	600	1,118	700	800	900
Number of proactive undercover investigations of financial services entities to ensure regulatory compliance ⁹	Not Available	Not Available	Not Available	4	8	8

5. Risk Finance Bureau

Objective 1: Improve consumer confidence in, and increase the availability of, financial services to District residents.

Risk Finance Bureau

Measure	FY 2010 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Percentage of CAPCOs examined annually	100%	100%	100%	100%	100%	100%
Percentage of Captive Insurance Company applications processed within 30 days of receipt ¹⁰	100%	100%	100%	100%	100%	100%
Percentage of financial examinations completed annually on Captive Insurance Companies	100%	100%	100%	100%	100%	100%

CAPCO: Certified Capital Company

6. Office of the Commissioner

Objective 1: Support Agency Bureaus through effective management.

Office of the Commissioner

Measure	FY 2009 Actual	FY 2010 Target	FY 2010 Actual	FY 2011 Projection	FY 2012 Projection	FY 2013 Projection
Number of District residents receiving financial literacy training and consumer protection information	1,117	600	1,118	700	800	900
Percentage of subgrantees' budget spent on programmatic costs ¹¹	Not Available	Not Available	Not Available	65%	65%	65%
Percentage of scheduled monitoring reports as defined in agency monitoring plan completed for each grant award ¹²	Not Available	Not Available	Not Available	100%	100%	100%

Performance Plan Endnotes:

1. There are no industry standards for this measure. These standards are set by state regulators. The state of VA standard is 90 percent within 30 days. The state of MD standard is 98 percent within 30 days.
2. There are no industry standards for this measure. These standards are set by state regulators. The state of MD standard is 98 percent within 30 days.
3. The Conference of State Bank Supervisors (CSBS) standard for this measure is 45 days. The state of MD standard is 60 days for mortgage related complaints and 90 days for all other complaints.
4. The Securities Exchange Commission (SEC) attempts to examine 10 percent of their registrants yearly this equals to 10 examinations a year cycle. Examination standards for local counterparts are not formalized and are however limited due to personnel resources.
5. Ibid.
6. There are no industry standards for the Enforcement and Investigation Bureau (EIB) performance measures. The National Association of Insurance Commissioners (NAIC) State Fraud Bureau counterparts were polled and there is no public entity that sets investigation standards in these areas except DISB. Also, DISB is the only jurisdiction that sets performance standards for financial literacy training for their residents.
7. Ibid.
8. Ibid.
9. Ibid.
10. The captive insurance industry regulatory standard is 100 percent. The standards are set forth in D.C. Law – Official Code §31-3931.14 and the National Association of Insurance Commissioners.
11. The Wise Giving Alliance of the Better Business Bureau identifies 65 percent to be an industry standard for this measure <http://www.bbb.org/us/Charity-Standards/>. This metric measures all subgrantees' programmatic costs as a percentage of their overall costs.
12. Pursuant to section 11.4 of the Grants Manual and Source Book, all District agencies must complete monitoring reports. All District agencies should be in compliance with this standard. The standard is 100 percent.

