

2013-2014 BIENNIAL REPORT



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

Welcome

On behalf of the D.C. Department of Insurance, Securities and Banking and the Government of the District of Columbia, welcome to our 2013-2014 Biennial Report.

The department, known as DISB, is the financial services regulator for the District. DISB regulates the District of Columbia financial-service businesses by administering the city's insurance, securities and banking laws, rules and regulations. Our goal is to ensure residents have safe and sound choices in financial services, and that they are treated fairly by the companies and individuals that provide those services. DISB also supports the District's economic development goals by enhancing market conditions to attract and retain financial services firms to the city.

In this report, we discuss our department's work over the last two years to regulate the District's financial services market, protect residents from financial fraud and improve the financial capabilities of District residents.

Your financial well-being is a priority for us. The department encourages you to contact us if you have any questions about information contained in this report and how we can better serve the District of Columbia.

Sincerely,

Chester A. McPherson
Acting Commissioner
D.C. Department of Insurance, Securities and Banking

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About the Department

The D.C. Department of Insurance, Securities and Banking (DISB) is the financial services regulator for the District of Columbia. The department's mission is two-fold: (1) protect consumers by providing equitable, thorough, efficient and prompt regulatory supervision of the financial services companies, firms and individuals operating in the District of Columbia; and (2) develop and improve market conditions to attract and retain financial services firms to the District of Columbia.

The agency oversees the following financial entities:

- Insurance companies
- Insurance producers (agents)
- Health maintenance organizations (HMOs)
- Captive insurance companies
- Risk retention groups
- Investment advisers
- Investment adviser representatives
- Broker-dealers
- Broker-dealer agents
- Securities issuers
- Agents of issuers
- District-chartered banks
- Mortgage lenders and brokers
- Check cashers
- Money transmitters
- Consumer-sales-finance companies
- Money lenders
- Consumer-credit-service organizations

DISB has four bureaus and seven divisions. The bureaus oversee our market operation functions in insurance, securities, banking and risk finance. The divisions include enforcement, market examinations, compliance analysis, agency management, communications, legal and agency financial operations. DISB regulates insurance companies and securities firms, and licenses insurance and securities professionals. In addition, DISB regulates the District's two D.C.-chartered banks, Industrial Bank and Bank of Georgetown, and licenses both depository and non-depository financial services companies and individuals operating in the District. DISB also handles insurance and financial services complaints from residents, investigates financial fraud and provides financial education resources to the District community.

In addition to DISB's regulatory, consumer protection and enforcement functions, residents can contact DISB to:

- **File** a complaint or report fraud
- **Check** a financial service provider's license
- **Review** health insurance rate filings
- **Pursue** foreclosure mediation and access other foreclosure prevention resources
- **Sign up** for financial education and consumer protection information
- **Get a bank or credit union account** through Bank on DC, a program that provides financial education and access to mainstream financial services throughout the D.C. metro region
- **Access** finance programs that provide collateral and capital support for D.C. small businesses
- **Request** a speaker from our agency for community meetings or presentations

To learn more about the department, you can visit us online at disb.dc.gov or download our [brochure](#).

REGULATE

The department regulates financial services businesses in the District by administering the city's insurance, securities and banking laws, rules and regulations. In this section, the department highlights the activities and accomplishments of our market operation bureaus which regulate companies and individuals conducting insurance and financial services business in the District.

INSURANCE

The insurance bureau monitors the solvency of insurance companies operating in the District as well as licenses insurance companies and brokers and approves premium rates. It also monitors underwriting, policyholder services, claims, marketing and the way insurers handle complaints. One significant ongoing priority of the insurance bureau is health care reform implementation efforts in the District.

District health care reform efforts

The implementation of the federal health care law, the Patient Protection and Affordable Care Act, has been an ongoing effort since 2010, and it continued to be a focus of the insurance bureau's work during the 2013-14 fiscal years.

The department was one of the primary District agencies charged with standing up the District's health-care exchange, DC Health Link. The department's insurance bureau staff reviews and approves the plans and rates for all insurance plans

offered on DC Health Link. The department carefully scrutinized the filings to ensure that the rates are fair and reasonable resulting in a diversity of health plans in terms of cost and choice for District residents and small businesses. In addition, through the department's effective rate review process, all of the insurers lowered their rates from what they originally proposed for 2014 and 2015 plan years, some by as much as 17 percent.

The department enhanced the transparency of our health insurance rate review process by providing the public with access to health insurance premium rates currently under review. On our website, the public can view recently filed rate changes and provide comments before the department's actuaries render their opinion on the filings. Also, requests for insurance policy form and rate filings were the most frequently-requested Freedom of Information Act (FOIA) topic for the department in 2014. The department now offers the public a more streamlined, consumer-friendly way to access all rate and form filings directly over the internet.

On average, \$8 billion of insurance premium is written in the District of Columbia annually.

Preventing discrimination in health care

One of the department's actions in early 2014 advanced the rights of the city's transgender community by prohibiting discrimination in health insurance based on gender identity and expression. The department issued a bulletin requiring District health insurance companies to provide coverage for gender dysphoria, or gender identity disorder, as a recognized medical condition thereby permitting those with gender dysphoria to obtain medically necessary benefits.

Moreover, the bulletin allows for individuals with gender dysphoria to receive any medically necessary benefits and services under individual and group health insurance policies covering medical and hospital expenses. These benefits are not newly mandated, but rather clarify District law to assure that individuals diagnosed with gender dysphoria are afforded the same benefits under health insurance policies as individuals seeking medically necessary treatment for non-gender identity or expression-related conditions. Read more about this effort [here](#) including frequently asked questions about the bulletin.

Transparency in managing high profile projects

As part of its regulatory function, the department, when necessary, has to manage the liquidation or receivership of insurance companies in the District. The department also has other projects with widespread community impact, such as the triennial surplus review of the District's non-profit health insurer. The department has made transparency in these processes a priority to ensure the public and affected parties are kept informed.

The department maintained dedicated webpages at disb.dc.gov on its receivership and liquidation processes for companies impacted in 2013 and 2014 including the rehabilitation of DC Chartered Health Plan, Inc. and the liquidations of Ocean Risk Retention Group and Regional Health Insurance Co. By doing so, the public has been able to follow along with the status of the cases in real time. In addition, DISB has maintained dedicated webpages for other important agency work such as the surplus review of Group Hospitalization and Medical Services, Inc. (GHMSI), a subsidiary of CareFirst, Inc. and the rate review for health insurance plans on DC Health Link.

DC INSURANCE PRODUCER LICENSES

NUMBER OF LICENSED INDIVIDUAL PRODUCERS

74,590 | **1,254**

Total

D.C. residents

NUMBER OF LICENSED BUSINESS ENTITIES

5,510 | **129**

Total

D.C.-based businesses

Promoting the District as captive insurance company domicile

The department established its captive insurance program in 2001 to stimulate the city's financial services industry and provide an important mechanism for companies to manage their own insurance risks more cheaply and efficiently rather than buying all of their coverage from a commercial insurance company.

Captives insure the risks of their owners. They issue policies, pay claims and invest premiums similar to a traditional insurance company. The District's captives typically cover risks such as workers' compensation, commercial property, terrorism, builders' risk, general liability, employment practices, commercial auto and liability coverage for professionals such as physicians and lawyers.

Since 2001, captive insurers domiciled in the District have paid \$11 million in premium taxes and licensing fees and also generate jobs for accountants, managers, attorneys and actuaries.

The department's captive specialists are known nationally for their expertise and the District's captive insurance law is considered to be one of the most innovative in the country. In fiscal year 2013, six new captives were licensed by the District and in 2014, 21 new captives were licensed. There are currently 114 active captives in D.C.

DISB continues to attract risk retention group captives that are sponsored by traditional medical malpractice insurers. A risk retention group is an attractive vehicle to insure medical malpractice liability and other commercial liability lines of



insurance because it can be used to facilitate the entry into new markets more efficiently than a traditional insurer.

Many notable companies and organizations own captives domiciled in the District, including General Motors, Subaru, Dow Corning, AARP, Goldman Sachs, the United Methodist Church, Med-Star Health, Amtrak, the New York/New Jersey Port Authority, giant office-building owner and developer Brookfield Properties, Warren Buffett's investment company Berkshire Hathaway, the Willis Tower (formerly known as the Sears Tower) and the University of California.

Captive insurance companies finance increasing amounts of commercial insurance risks. More than half the non-life insurance premiums worldwide are written in a captive insurer or a similar company known in the industry as an alternative risk transfer vehicle. The department expects the captive industry to grow as companies increasingly seek alternatives to the traditional insurance market. The department is well-positioned to attract new captives.

Many notable companies own captives domiciled in the District including General Motors, Subaru, Dow Corning, AARP, Goldman Sachs, Amtrak and more.

SECURITIES

The securities bureau protects District investors by ensuring that securities professionals doing business in the District comply with the law and that full and fair disclosure is provided to investors in public securities offerings. This bureau also licenses securities professionals and firms that sell securities in the District and handles inquiries concerning securities professionals in the District.

During the 2013-2014 fiscal years, the securities bureau completed the transfer of 29 investment adviser firms from federal to District oversight. In addition, during fiscal year 2014, the securities bureau developed a new regulation facilitating crowdfunding-type investments for D.C. small businesses. The securities bureau also implemented new legislation requiring fingerprints for District investment-adviser-representative license applicants. Fingerprinting was already required for broker-dealer agents in the District. The securities bureau also continued efforts to protect District investors, especially seniors who are vulnerable to investor fraud.

Dodd-Frank Act increases District oversight of investment advisers

Part of the securities bureau's role is to license and regulate broker-dealers and investment advisers doing business in the District. In 2012, more firms came under the department's purview as a result of the Dodd-Frank Act. The law authorized the states and the District to license investment advisers managing assets of \$100 million or less, up from \$25 million or less.

Twenty-nine investment adviser firms formerly regulated by the Securities and Exchange Commission are now under the department's jurisdiction; six of those are based in the District. This brings the total of District-regulated investment-adviser firms to 98. Of those, 47 are D.C.-based. As a result of Dodd-Frank, accounts under management at District-licensed firms almost doubled, from 852 before the switch to

1,591, and the aggregate amount of assets under management more than tripled, from \$152 million to \$500 million.

To ensure a smooth transition from federal to District regulation, the securities bureau focused on outreach and education to the new firms. The department also shares information and coordinates with other state securities regulators in examining and licensing investment advisers moving from federal to state oversight. The department examined all 29 new District-based firms to ensure they meet the District's regulatory, licensing and disclosure requirements.

Licensing Statistics for Securities Professionals and Businesses in D.C. Fiscal Years 2013 and 2014





Protecting District investors

The securities bureau engages in a number of investor protection efforts, including making presentations in the community, participating in local and national investor education initiatives and taking enforcement actions when necessary. In particular, the bureau focuses on investor protection of the District's seniors.

Bureau staff educated seniors through outreach at all of the city's senior wellness centers and also participated in the Elder Investment Fraud and Financial Exploitation Prevention Program, a multi-state project sponsored by the Investor Protection Trust. The securities bureau also partners with the D.C. Office on Aging and Adult Protective Services and the District's Elder Abuse Prevention Committee on outreach events throughout the year to protect the city's seniors from investment fraud.

The department also takes securities-related enforcement actions when necessary to protect all District investors, but two actions were initiated in fiscal year 2013 to protect District seniors in particular. First, the department took action against a company that unlawfully offered and advertised to seniors certain "investment" opportunities in a local newspaper that targets senior readers. This unlawful conduct enticed one District resident to give to the subject company approximately \$200,000. The second action involved a local pastor selling fraudulent and unregistered investments to members of his congregation. The victims of that unlawful activity included a retired couple who were District seniors.

Equity crowdfunding for D.C. small business

In April of 2012, Congress enacted the Jumpstart Our Business Startups Act or JOBS Act, which authorized the use of crowdfunding, the new internet fundraising process for securities offerings for small businesses. In response to that development, the securities bureau developed an equity crowdfunding program for District businesses.

The new regulation, the "District of Columbia-Only Securities Offerings Exemption," establishes an exemption from the District's full securities registration requirements in order to simplify the fundraising process for District small businesses and encourage investing in D.C.-based small businesses.

This type of offering, known as "intrastate," is exclusive to District-based businesses and can only be offered and sold to District residents. These intrastate offerings are not subject to Securities and Exchange Commission registration, but fall within the department's jurisdiction. In addition, the business entity must be organized under D.C. law to qualify. To view more about this regulation, follow this link disb.dc.gov/crowdfunding.

SECURITIES OFFERINGS FOR 2013 AND 2014

	FY 2013		FY 2014	
	Filings	Fees collected	Filings	Fees collected
Mutual Funds Notice Filings (Paper)	6,675	\$3,147,182	6,487	\$3,725,754
Mutual Funds Notice Filing (Electronic)	16,478	\$7,621,234	18,207	\$8,474,607
Registrations	61	\$72,600	50	\$57,650
Exemption Filings	727	\$167,300	928	\$217,300
Totals	23,941	\$11,008,316	25,672	\$12,474,772

BANKING

The banking bureau regulates District of Columbia-chartered banks and other non-depository financial services providers in the city such as mortgage companies and consumer finance companies. The bureau strives to protect consumers, promote economic development and ensure a sound and thriving financial services community in the District of Columbia.

Part of the bureau's role is to license and regulate District financial-services providers such as mortgage lenders, brokers, loan originators, money transmitters, check cashers, money lenders and consumer-credit-service organizations.

District licensing system enhancements

Starting Sept. 2014, the department began using the National Mortgage Licensing System (known as NMLS) to manage money transmitter, check casher, money lender, retail seller, sales finance company and non-bank ATM licenses and registrations. This action completed the department's transition to a single, coordinated licensing process for all District financial services and mortgage licensees and registrants.

The NMLS is a secure, web-based, nationwide licensing system that allows companies to apply for, update and renew their license authorities in one or more states conveniently and safely online. The District is one of 59 state agencies and six federal agencies that use the system to accept and process license applications and registrations for mortgage companies (e.g. lenders, brokers and dual authority licensees) and mortgage loan originators. The department joined more than 30 other states in expanding NMLS to non-mortgage financial services industries. This allows for greater efficiency in our operations and improved oversight by linking the District with other states to protect residents.

Further, for fiscal years 2013 and 2014, the bureau brought in almost double the revenue received by the bureau in fiscal years 2011 and 2012. This increase was due to the recovery of the mortgage market as well as these improvements in the bureau's licensing system and processes.

Innovative finance programs for District small business

To support the District’s business community and economic development goals, the department administers programs that facilitate access to capital and collateral support for District small businesses. As part of the federal State Small Business Credit Initiative, the District was allocated \$13.2 million to expand or create D.C. businesses. The department is using the funds for small business lending and finance programs.

In 2013-2014, the District of Columbia Collateral Support Program provided \$3.5 million in collateral support to help District small businesses get loans to buy equipment and inventory; for expansions or renovations; working capital; start-up costs; leasehold improvements; or refinancing. In fact, the department estimates that the loans made through this program helped create one job per \$55,000 in government assistance. Thus far, the program has leveraged a total of \$8.4 million in private sector capital to District small businesses.

The department will introduce two new innovative finance programs under the State Small Business Credit Initiative in fiscal year 2015 – the District of Columbia Loan Participation Program and the District of Columbia Innovation Finance Fund. In the loan participation program, the District would buy a portion of the loan originated by the lender in order to reduce the borrower’s debt service and give the lender more flexibility in deal structure. The innovation finance fund is a co-investment fund, whereby the District invests alongside private sector investors in deals meeting program requirements. More information on the department’s finance programs for small business can be found at disb.dc.gov/smallbusinfo.

D.C. NON-DEPOSITORY LICENSING STATISTICS

LICENSE TYPE	FY12	FY13	FY14
Mortgage Lenders/Brokers	831	968	1,105
Mortgage Loan Originators	1,969	2,524	3,040
Check Cashers	110	105	104
Money Transmitters	58	57	67
Consumer Sales Finance Companies	35	32	50
Money Lenders	7	10	18
Totals	3,010	3,696	4,384

District's commercial and international banking sector continues to thrive

In 2005, the District passed legislation to allow commercial banks to operate with a charter from the District as an alternative to a national charter. Two local commercial banks are chartered by the District: Bank of Georgetown and Industrial Bank. They both continue to thrive as community-based financial institutions.

Bank of Georgetown announced in July 2014 that it surpassed the \$1 billion mark in assets. Bank of Georgetown has six of its 11 branches in the District. Industrial Bank is one of the largest minority-owned banks in the nation with \$365 million in assets and five of its eight branches in the city.

There are many benefits to having a District bank charter. The institutions have direct access to decision-makers here at the department and pay lower regulatory fees and assessments than their federal counterparts. Department staff also has a greater understanding of the local conditions impacting financial services in the District.

In addition, foreign banks may establish subsidiaries, branches or agencies in the District with either a federal charter or a District charter, or they may establish a representative office with a license issued by the department and approval from the Federal Reserve. Subsidiaries, branches and agencies may conduct a full range of banking activities but agencies do not have general deposit-taking authority. A representative office is a marketing office that serves as a liaison between the head office of the foreign bank and its customers and correspondent banks in the United States. Six foreign banks have been licensed by the District and maintain representative offices in the city: Barclays Bank (U.K.), State Bank of India (India), Bank of Tokyo-Mitsubishi (Japan), Banque Transatlantique (France), Banque Centrale Populaire (Morocco) and Standard Chartered (U.K.). The regulatory authority to conduct examinations of these six foreign representative offices is shared between the department and the Federal Reserve.



MARKET EXAMINATIONS

The market examinations division coordinates and develops reporting for the on-site examinations of all D.C.-domiciled insurance companies, District-chartered banks and non-depository financial services institutions doing business in the District of Columbia. This division also does inspections of investment advisers and broker-dealers.

Among its responsibilities, the division prioritizes companies for examination or inspection of financial records, prepares and reviews planning and examination work papers, and prepares examination reports in accordance with District statutes and appropriate industry examination procedures. The goal of the market examinations division is to enforce the District of Columbia rules and regulations and to provide fair and efficient supervision of financial services activities. Market examinations also allow the department to monitor new and emerging issues on the industries we regulate. Findings from market examinations also sometimes lead to enforcement actions, when appropriate.

In fiscal years 2013-2014, the department conducted 154 market examinations: four D.C.-domiciled insurers; 11 captive insurers; 12 investment advisers; and 87 full scope exams and 40 target exams of mortgage licensees.

FORECLOSURE PREVENTION

The department engages in a number of initiatives to prevent foreclosures in the District including foreclosure mediation, housing counseling and legal aid for homeowners.

Department's Foreclosure Mediation Program successful in reducing foreclosures

The Foreclosure Mediation Program lets homeowners and lenders meet face-to-face to discuss alternatives to foreclosure. The program is open to District owners of residential properties located in the District – including owners of condominiums or cooperative units – who have received a notice of default, the notice lenders must send warning them that the property could go into foreclosure.

Since the program's inception in May 2011, 78 percent of mediations prevented foreclosures with lenders and homeowners agreeing to loan modifications, repayment plans, reinstatements, short sales and other alternatives. In addition, nearly half of the homeowners facing foreclosure in the District have opted to pursue foreclosure mediation.

The mediation program was created by the Saving D.C. Homes from Foreclosure Amendment Act of 2010 on a temporary basis. In 2014, the program was made permanent through legislation passed by the City Council. Additional foreclosure prevention efforts also continue in the District including services made available to residents from D.C.'s portion of the National Mortgage Settlement.

A FIVE-YEAR LOOK AT FORECLOSURES IN D.C.*

2010	1,349
2011	566
2012	89
2013	166
2014	114

*Source: D.C. Recorder of Deeds

**Falling behind on your mortgage or facing foreclosure?
Call the D.C. Foreclosure Prevention Hotline
202-265-CALL (2255) or 1-855-449-CALL (2255).**

More resources for District foreclosure prevention

In February 2012, federal and state governments reached an historic \$25 billion settlement with the country's five largest mortgage-servicers to provide relief to people who lost or are in danger of losing their homes because of the companies' abuses.

The settlement provided the District with \$4.4 million for ongoing and new programs to help District residents stay in their homes. Through a DISB-supervised contract, Housing Counseling Services, a local housing services non-profit, the funds are paying for legal aid for homeowners facing foreclosure; supporting a hotline for distressed homeowners; and helping District residents get money they are eligible for through the settlement.

Housing Counseling Services launched a citywide public relations campaign with bus ads and public service announcements to inform the public about the new resources including the D.C. Foreclosure Prevention Hotline 202-265-CALL (2255) or 1-855-449-CALL (2255). Since then, 358 residents have called the hotline for assistance and 364 clients have received housing counseling. In addition, Housing Counseling Services has held 43 foreclosure prevention clinics reaching 116 at risk homeowners. They have also provided assistance at 600 hearing cases for D.C. judicial foreclosure hearings. Residents are encouraged to call the foreclosure prevention hotline for assistance. For more information on these resources, visit disb.dc.gov/foreclosure.

BANK ON DC

Providing District residents with access to mainstream financial services

Since April 2010, Bank on DC, a D.C. Department of Insurance, Securities and Banking program, has helped 7,513 residents establish traditional banking relationships through 10 banks and credit unions and several community partners. In fact, nearly 1,000 Bank on DC accounts were opened in 2014 and 788 in 2013. These unbanked and under-banked residents had little or no access to mainstream financial services or often relied on expensive services such as check-cashers and payday lenders. Participating financial institutions offer Bank on DC accounts which feature low minimum balance requirements, no- or low-cost monthly fees. "Second chance accounts" are also available for those who need to reestablish a new banking relationship. On average, consumers who have a checking or savings account save \$800 in check-cashing fees per year.

Part of Bank on DC's mission is to provide financial education in the community. In partnership with local financial institutions and non-profit organizations, Bank on DC facilitated 300 events and workshops on topics such as account enrollment, budgeting, saving and other personal finance topics in all wards of the city. Additionally, the department is researching solutions, such as "virtual teller ATMs" to address "banking deserts" in certain areas of D.C. where banking services are less available. You can learn more about Bank on DC at bankondc.org.



More than 7,500 accounts have been opened in less than five years reaching D.C.'s unbanked and under-banked populations.

PROTECT

One of the department's most important tasks is protecting consumers from fraud, scams and unfair or illegal practices. The department fulfills these roles through its enforcement and consumer protection division and its complaint resolution functions. In this section, the department highlights the activities of these two divisions for fiscal years 2013 and 2014.

ENFORCEMENT AND CONSUMER PROTECTION

Fighting fraud in the District

The department's enforcement division is unique among financial regulatory agencies in the United States because it investigates insurance, securities and bank fraud within one enforcement division. The division conducts fraud detection, investigation and prosecution using administrative, civil and criminal referral enforcement actions against those that would defraud District residents, eventually punishing and/or removing the offenders from the community.

In fiscal years 2013 and 2014, 753 cases were addressed by the division's four investigators. The courts ordered about \$6.5 million in restitution and forfeitures for victims, and other division investigations resulted in recoveries, settlements and fines totaling over \$41,000. Perpetrators also received jail time, probation, and community service.

Of the cases, division investigators presented 33 investigations to the U.S. Attorney's Office for prosecution and two more to the Special Assistant U.S. Attorney assigned to the District's Office of the Attorney General for criminal prosecution. An additional four cases were referred within the department for enforcement and/or regulation action. Further, 42 cases were referred to federal agencies, local law enforcement agencies and other state regulators for follow-up investigation in

other jurisdictions. Auto insurance-related frauds are the largest source of referrals. However, the division is seeing an increase in health care-related fraud.

In addition, the department, through its Office of the General Counsel, has initiated numerous enforcement actions against firms and individuals charged with violating District laws. Many of those actions resulted in the imposition of fines and/or restitution orders. A significant number of those enforcement actions were successfully resolved by the department after hearings were conducted before either the Office of Administrative Hearings or the department's Hearing Officer. The division continues to broaden the training for its investigators to meet the increasing complexity of scams and illegal practices impacting the District's financial services market.

**Call DISB at 202-727-8000
if you suspect financial fraud
in the District of Columbia.**

Working to prevent health care fraud

In late 2013, the division focused on crime prevention and other potential fraud issues prior to the rollout of the state and federal health care exchanges on October 1, 2013. Leading up to that date, federal and state regulators and law enforcement met and prepared for responding to acts of fraud. With the U.S. Department of Justice and the Federal Trade Commission taking the lead, protocols were established to monitor nationwide fraudulent trends in regards to the rollout. On the local level, the division worked with DC Health Link officials to ensure prompt and efficient referral of any suspected fraudulent act to ensure protection of residents and to maintain the integrity of the online marketplace. As part of the overall effort, the division also serves as a member of the Anti-Fraud Committee for the National Association of Insurance Commissioners.

Division participates in national financial anti-fraud networks

The division maintains functional and productive relationships with state and federal regulators and law enforcement to proactively identify fraudulent activity and enhance its investigation of fraud violations and its perpetrators. Division investigators regularly attend meetings in the D.C. metropolitan area with other regulators and law enforcement to discuss issues of mutual concern and to collaborate on investigations.

As members of such groups as the Washington D.C. Metro Major Medical Fraud Task Force, the U.S. Department of Justice Bank-Mortgage Fraud Working Group and the Security Association of Financial Institutions, the division has increased its capabilities to identify, investigate and prosecute financial fraud in the District.

This cooperation and exchange of information has resulted in various division investigations. These include discovering several “false fronts” where investment companies in D.C. who are unlicensed or unregistered are engaging in securities fraud; or drug diversion where prescription drugs, paid for by a local insurer, are sold for personal profit; and “straw buyers” who purchase D.C. properties with fabricated D.C. driver’s licenses. Other investigations include such cases as medical professionals billing an insurer for services to patients that were never rendered.



ENFORCEMENT CASE PROFILES

Department uncovers and completes investigation of major mortgage fraud scheme

A former D.C. resident walked into the office of the D.C. Department of Insurance, Securities and Banking and reported that a D.C. resident had asked her to use her personal information to establish credit and purchase three properties, two in D.C. and one in Maryland. She explained that she subsequently prepared false mortgage loan documentation as a “straw buyer” reflecting that she earned \$7,000 to \$10,000 monthly in order to qualify for the loans to purchase the properties. The settlements for the properties subsequently occurred at a title company in Maryland.

The “straw buyer” was paid cash to clear her credit card debt and an extra \$10,000 for each property she purchased. An arrangement in the following months was made to sign over these properties to the main player in this fraudulent scheme. The arrangement seemed legitimate at the time, the resident said. It wasn’t until the “straw buyer” educated herself on real estate that she realized she had been involved in a criminal scheme and had \$1 million worth of property in her name.

Division investigators followed this information, informed federal law enforcement, and together uncovered a complex, mortgage fraud scheme in the D.C. metropolitan area. The scheme, perpetrated from 2006-2009, involved defrauding banks and other lenders through false statements and misrepresentations. Over 20 residential real estate transactions took place which entailed fraudulently obtained mortgage loans of more than \$7.5 million. After closing, perpetrators failed to pay the mortgages on many of the properties. The lenders were forced to foreclose and resell the properties at a huge loss.

The U.S. Attorney’s Office for District of Columbia criminally prosecuted the five perpetrators in 2012 and 2013. The sentences handed down by the courts, totaling more than \$6 million in restitution, forfeitures of \$4 million and prison sentences of 140 months, as well as probation and fines. The department was recognized by the U.S. Attorney for the District of Columbia for its integral part in bringing down the scheme.

Department uncovers \$25 million Ponzi scheme

For four years, a con artist was convincing investors to invest with him promising substantial returns with a sophisticated trading strategy that protected against loss. The department discovered that instead of paying investors, the perpetrator used the funds from new investors to pay interest and principal that was due to earlier investors.

The perpetrator pleaded guilty to a securities fraud charge stemming from operating this Ponzi scheme that cost investors approximately \$25 million. Under the plea agreement, he must pay restitution to the victims amounting to at least \$25 million. Finally, the perpetrator is subject to an additional forfeiture money judgment. In a parallel action, the U.S. Securities and Exchange Commission obtained a civil judgment against him for his fraudulent conduct. He is scheduled to be sentenced in 2015 and faces a likely range of 12-15 years in prison, as well as a fine of up to \$175,000.



COMPLAINT RESOLUTION

More than \$1.40 million was returned to D.C. residents in fiscal years 2013 and 2014 through complaint resolution by the department. The department handled 774 and 828 complaints in fiscal years 2013 and 2014, respectively, on a range of insurance, banking and securities related issues.

The majority of recoveries came from insurance companies – approximately \$1.18 million – in 2013 and 2014 where DISB intervened on behalf of the consumer in claims and policy disputes. In the same time period, DISB overturned 50 cancellations and non-renewals of policies that were improperly terminated. The department also recovered nearly \$219,000 in 2013 and 2014 for residents by intervening and restoring funds in cases involving mortgage escrow accounts for tax and forced placed insurance, mortgage loan overcharges, loan modifications, reimbursement of money order fees or other banking related issues.

While more than half of the complaints are health-insurance related, the department is seeing an increase in consumer complaints regarding payday and online lending. Consumers are contacting the department for assistance as some online lenders are aggressively seeking to collect on online loans, some in the form of “payday loans.” In response and to educate residents about online loans, the department published a consumer guide “[Things to Know Before Borrowing Money Online](#)” to inform residents of the problems they may encounter with these types of loans. This guide and other DISB Consumer Guides can be found at disb.dc.gov/consumerguides.

District residents can file a complaint with the department online at disb.dc.gov/disbcomplaint or by calling us at 202-727-8000.

More than \$1.40 million was returned to D.C. residents in fiscal years 2013 and 2014 through complaint resolution by the department.

EDUCATE

One of the department's most important functions is to provide financial and insurance information and resources to D.C. residents. The department does this in a number of ways including speaking at events in the community, providing information on our website and working with other agencies and groups on outreach efforts.

COMMUNITY OUTREACH

Department expands community engagement effort

The department engaged in more than 300 consumer events and speaking engagements, both local and national, across 2013 and 2014 in all eight wards of the city reaching nearly 9,000 residents with financial literacy and consumer protection information. In addition to addressing elder financial abuse, department staff spoke on financial fraud and prevention, life and health insurance, investor protection, health care reform and our programs such as foreclosure mediation and collateral support. The department also continued its series of "Financial Crimes Against Seniors" at the city's senior centers to keep seniors up-to-date on financial and insurance information and how to detect financial scams.

The department also collaborated with the D.C. Department of Housing and Community Development to host the Annual DC Housing Expo at the Walter E. Washington Convention Center, a free event that offered a range of housing workshops, one-on-one sessions with lenders and certified housing counselors to discuss options available when facing foreclosure. Other events included Congresswoman Eleanor Holmes Norton's Small Business Fair, the Annual Tenant and Tenant Association Summit, the Annual DC to Africa Business Symposium, Metropolitan Washington Financial Planning Day, the Moneywise Empowerment Tour and many more.

FINANCIAL EDUCATION

District financial literacy remains department priority

DISB conducted a variety of efforts to provide financial literacy to the residents of the District of Columbia over the last two years. These activities included in-person events in every ward, free financial education opportunities and online and print resources.

One of DISB's financial education initiatives was Bank on DC summer youth programming in collaboration with the District's Department of Employment Services. In summer 2013, Bank on DC launched a pilot program, the Young Money Managers, where Summer Youth Employment Program students taught their peers financial literacy skills. Area banks and non-profits helped the Young Money Managers facilitate workshops or online education for the youth in the D.C. area. In addition, Bank on DC was able to encourage 698 Summer Youth Employment Program participants to opt for direct deposit into a bank account for their wages instead of using a pre-paid card.

The department also executed successful financial education campaigns including America Saves, National Financial Capability Month and the Financial Fitness Challenge. During the 2014 National Financial Capability Month, the department launched its free, online personal financial health assessment through Bank on DC. The assessment is available at bankondc.org.

Department expands online financial capability resources

In addition to financial education campaigns, the department provides information on its website to enhance District residents' financial and insurance awareness and capabilities. In the last year, the department published more than 20 new "DISB Consumer Guides" on a variety of banking, investing, insurance and personal finance topics. These guides are linked right on our [home page](#) and we distribute them widely on social media and at in-person events. This year, the department discovered there was no one central source for financial or insurance resources in the District. In response, we published the first "DISB Consumer Financial Resources Guide" a user-friendly booklet of information about the financial and insurance resources available through DISB and District Government.

The department also reinforced our social and digital media efforts as a way to get more financial literacy and fraud prevention information in the community. On Twitter, [@DCDISB](#) had a 15% increase in followers in the last two years. We also partnered with the D.C. Office of Cable Television to have some of our community events videotaped to post on our [YouTube](#) page to reach more residents. Our public service announcement on financial fraud prevention was also translated into Spanish, Vietnamese and Amharic to reach a broader audience. DISB also provided support to D.C.'s Department of Human Services as they participated in the national rollout of CFPB's "Your Money, Your Goals," toolkit. It teaches local social service/case managers financial empowerment skills they can use to help their clients set goals, choose financial products and build skills in managing money, credit and debt.

In addition, DISB continued to contribute financial literacy articles to the *Washington Informer* newspaper on a variety of banking, insurance and securities topics. They can be viewed [at this link](#) on DISB's website.



OPEN GOVERNMENT INITIATIVES

The department has undertaken a number of efforts to make the activities of the agency more transparent to the public, starting with fully implementing the Open Government and Open Data Directive (Mayor's Order 2014-170). DISB created an Open Government and Freedom of Information Act (FOIA) section on our website to help enhance transparency with the public. The page contains frequently requested District-wide information including employee salaries, budget, performance plans, fiscal year spending from 2004 through 2014, the District Personnel Manual and other District-wide FOIA reports. There the public can also find the department's organizational chart, administrative orders, statements and interpretations of policy, minutes of public meetings, databases for licensed insurance companies and producers, the employee handbook and how to contact the department's FOIA officer.

The newest feature of the page is a searchable database of insurance companies' policy form and rate filings, which was the most frequently-requested FOIA-related topic for DISB in 2014. The database is a part of the National Association of Insurance Commissioners' System for Electronic Rate and Form Filing. The database contains form and rate filings for life, health and property and casualty plans from 2008 to the present.

Additionally, DISB has improved accessibility to information on its website. DISB's website, disb.dc.gov, is the hub of public information for the agency and we work to keep it updated on a daily basis with information for our residents and regulated entities. In fact, following a redesign of disb.dc.gov in late 2012, there has been a 30 percent increase in visitor traffic to the website. DISB also utilizes traditional and social media to get information to the public including our Twitter, Facebook and YouTube pages to disseminate public information and to share consumer financial and

insurance information with the D.C. community. (See [DISB News and Publications](#).) DISB also posts announcements in the DC Register, when applicable.

DISB made available information on its receivership and liquidation processes, specifically in the cases of DC Chartered Health Plan, Inc. Rehabilitation, and the liquidations of Ocean Risk Retention Group and Regional Health Insurance Co. The public has been able to follow along with the status of those cases on our website. In addition, DISB has maintained dedicated webpages for other important agency work such as the surplus review of Group Hospitalization and Medical Services, Inc. (GHMSI), a subsidiary of CareFirst, Inc. and the rate review for health insurance plans on DC Health Link, the city's health insurance marketplace created by the federal health care law, the Affordable Care Act. The above referenced links can be found below:

- [DC Chartered Health Plan, Inc. Rehabilitation](#)
- [Ocean Risk Retention Group Liquidation](#)
- [Regional Health Insurance Co. Liquidation](#)
- [Review of CareFirst's 2011 Surplus](#)
- [January 2015 Approved Rates for Health Plans on DC Health Link](#)

DISB makes available other public documents such as testimonies before the DC Council, bulletins, publications and announcements on disb.dc.gov. DISB also maintains an automated subscription service on its website where the public can sign up for updates from our department [at this link](#).



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