

Department of Insurance, Securities, and Banking

www.disb.dc.gov

Description	FY 2004 Actual	FY 2005 Approved	FY 2006 Proposed	% Change from FY 2005
Operating Budget	\$9,705,868	\$13,675,126	\$14,008,345	2.4
FTEs	97.7	132.0	132.0	0.0

The mission of the Department of Insurance, Securities, and Banking is to provide fair, efficient and timely regulatory supervision of insurance, securities and banking businesses for the protection of the people of the District and to create conditions that will attract and retain national and international insurance and other financial services business to the District of Columbia.

The agency plans to fulfill its mission by achieving the following strategic result goals:

DISB will provide fair, efficient and expedient regulatory supervision of the insurance, securities and banking business as evidenced by:

- 95 percent of written complaints received will be responded to within 48 hours and resolved within 45 days of receipt.
- 100 percent of company license applications will be processed within 60 days of receipt.
- 100 percent of electronically produced applications will be processed within 10 days of receipt.
- 90 percent of policy forms will be processed as accepted or rejected within 45 days of receipt.
- Finalized six market conduct examinations in FY 2006.
- Market conduct examinations will be finalized for four surplus line brokers or premium finance companies in FY 2006.
- Six domestic insurance companies or HMO financial examinations will be finalized in FY 2006.
- 90 percent of rate filings will be reviewed and appropriate action taken within statutory timeframes.
- None of the domestic insurance companies will become insolvent, triggering guaranty funds requirements.
- 90 percent of captive insurance company applications will be processed within 30 days.
- 90 percent of captive insurers will be examined within statutory timeframes.
- In FY 2006, DISB will develop quarterly financial reporting procedures for Risk Retention Groups (RRG) and will also develop audit procedures and rules for RRG and captive insurance companies.
- 95 percent of securities registrations are cleared by the Securities Bureau within 60 days.

- 95 percent of securities offerings that make notice filings as required by D.C. code and pay the required fees will be acknowledged within 30 days.
 - 10 percent of D.C. based investment advisor firms will be examined within the fiscal year.
 - 90 percent of the broker-dealer and investment advisor firm licenses will be processed within 25 days of receipt.
 - 95 percent of written complaints and referrals to the Securities Bureau will be responded to within 48 hours of receipt and processed within 30 days of receipt.
 - 100 percent of application fees collected on securities licenses will be deposited and reconciled within 10 days of receipt.
 - DISB will participate in 100 percent of the activities sponsored by the Securities and Exchange Commission (SEC) to encourage capital formation for small businesses in the District of Columbia.
 - 100 percent of insurance company anti-fraud plans will be filed and reviewed within 6 months of the company licensing date.
 - DISB will close 194 investigative cases by the end of FY 2005 and close 200 investigative cases by the end of FY 2006.
 - 100 percent of investigative referrals will be evaluated and assigned within 5 business days of receipt.
 - Increase the number of prosecutions, convictions or other legal action of United States Attorney Office and MPD referred cases by 20 percent.
 - 100 percent of DISB personnel workforce plan commitments are met within the fiscal year.
 - 75 percent of hard copy documents will be scanned within 2 weeks of receipt.
 - 75 percent of service requests submitted to the Administrative Support Unit will be completed within 2 days of receipt.
 - 70 percent of DISB legislative program will be forwarded to the D.C. Council for enactment within the fiscal year.
 - 90 percent of requests for legal advice/review will be responded to within the established timeframes.
 - 90 percent of claims and lawsuits will be responded to within 30 days of receipt.
 - 95 percent of Freedom of Information Act (FOIA) requests will be responded to within 10 business days of receipt.
 - 70 percent of employee grievances and discrimination complaints resolved without administration litigation.
 - Increasing by 20 percent the number of community outreach programs that seek to educate and inform consumers and investors in FY 2006.
 - DISB will receive a customer service rating of at least four on all Customer Service telephone quality criteria.
 - 70 percent of FY 2006 Individual Performance Plans will be completed within required timeframes.
 - 90 percent of completed bank charter applications received by the Department are processed within 90 days of receipt.
 - 50 percent of completed non-depository applications (initial and renewal) received by the Department will be processed within 45 days of receipt.
 - 40 percent of non-depository institutions will be examined annually
- DISB will create conditions that will attract and retain national and international insurance and other financial service businesses to the District of Columbia by:**
- Increasing revenue generated for the District of Columbia from insurance and securities businesses by 10 percent over FY 2005.
 - Increasing by 50 percent the number of captives companies licensed over the number licensed in the previous fiscal year.
 - Attracting at least two new domestic insurance companies to the District of Columbia in FY 2006.
 - Update the Insurance Bureau, Securities Bureau, Banking Bureau and Enforcement Bureau Information shown on the DISB website.
 - DISB will participate in at least four events through the National Association of Insurance Commissioners (NAIC) or the International Association of Insurance Supervisors (IAIS) that provide opportunities to work with foreign regulators.

Funding by Source

Tables SR0-1 and 2 show the sources of funding and FTEs by fund type for the Department of Insurance, Securities, and Banking.

Table SR0 -1

FY 2006 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

Appropriated Fund	Actual* FY 2003	Actual* FY 2004	Approved* FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
Local Fund	0	0	200	0	-200	-100.0
Special Purpose Revenue Funds	9,349	9,706	13,475	14,008	533	4.0
Total for General Fund	9,349	9,706	13,675	14,008	333	2.4
Gross Funds	9,349	9,706	13,675	14,008	333	2.4

*Note: Information provided for FY 2002 - FY 2004 is DISR only.

Percent Change is based on whole dollars.

Table SR0 - 2

FY 2006 Full-Time Equivalent Employment Levels

Appropriated Fund	Actual* FY 2003	Actual* FY 2004	Approved* FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
General Fund						
Special Purpose Revenue Funds	99	98	132	132	0	0.0
Total for General Fund	99	98	132	132	0	0.0
Total Proposed FTEs	99	98	132	132	0	0.0

*Note: Information provided for FY 2002 - FY 2004 is DISR only.

Gross Funds

The proposed budget is \$14,008,345, representing an increase of \$333,219, or 2.4 percent, over the FY 2005 approved budget of \$13,675,126. There are 132 FTEs for the agency, unchanged from the FY 2005 approved levels.

General Fund

Local Funds. The proposed budget is \$0, a decrease of \$200,000 or 100 percent from the FY 2005 approved budget of \$200,000. There are no FTEs, unchanged from the FY 2005 level.

- A decrease of \$200,000 due to the transfer of the Individual Development Accounts program to the State Education Office (SEO).

Special Purpose Revenue Funds. The proposed budget is \$14,008,345, representing an increase of \$533,219, or 4.0 percent, over the FY 2005 approved budget of \$13,475,126. There are 132 FTEs, unchanged from the FY 2005 level.

Changes from the FY 2005 approved budget are:

- An increase of \$780,651 for mandatory base pay and scheduled step increases.
- An increase of \$88,120 in fixed costs, which includes \$59,848 in rent and \$28,272 in telecommunications costs.
- A net decrease of \$317,494 in supplies, other services and charges, contractual services and equipment due to reductions of one-time costs from FY 2005.

Expenditures by Comptroller Source Group

Table SR0-3 shows the FY 2006 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table SR0 -3

FY 2006 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Comptroller Source Group	Actual* FY 2003	Actual* FY 2004	Approved* FY 2005	Proposed FY 2006	Change from FY 2005	Percent Change
11 Regular Pay - Cont Full Time	5,954	6,397	8,879	8,121	-758	-8.5
12 Regular Pay - Other	146	194	182	1,480	1,298	714.9
13 Additional Gross Pay	12	23	35	35	0	0.0
14 Fringe Benefits - Curr Personnel	999	1,099	1,424	1,663	239	16.8
15 Overtime Pay	47	6	39	40	1	1.6
Subtotal Personal Services (PS)	7,158	7,720	10,558	11,339	781	7.4
20 Supplies and Materials	50	36	78	81	3	3.4
31 Telephone, Telegraph, Telegram, Etc	61	64	109	137	28	26.0
32 Rentals - Land and Structures	963	943	1,229	1,289	60	4.9
40 Other Services and Charges	434	608	763	715	-48	-6.3
41 Contractual Services - Other	124	45	192	150	-42	-21.9
50 Subsidies and Transfers	57	78	330	130	-200	-60.6
70 Equipment & Equipment Rental	501	212	415	167	-248	-59.7
Subtotal Nonpersonal Services (NPS)	2,191	1,986	3,117	2,670	-447	-14.4
Total Proposed Operating Budget	9,349	9,706	13,675	14,008	333	2.4

*Note: Information provided for FY 2002 - FY 2004 is DISR only.

- A decrease of \$18,058 due to lower available revenues.

Program

The Department of Insurance, Securities and Banking is committed to the following programs:

Insurance

	FY 2005	FY 2006
Budget	\$6,143,544	\$6,554,161
FTEs	55.8	54.9

Program Description

The Insurance program primarily supports the Citywide Strategic Priority area of *Making*

Government Work. The purpose of the Insurance Program is to regulate the insurance industry in the District in order to protect the interests of consumers and ensure that insurance companies are in compliance with the laws and regulations of the District.

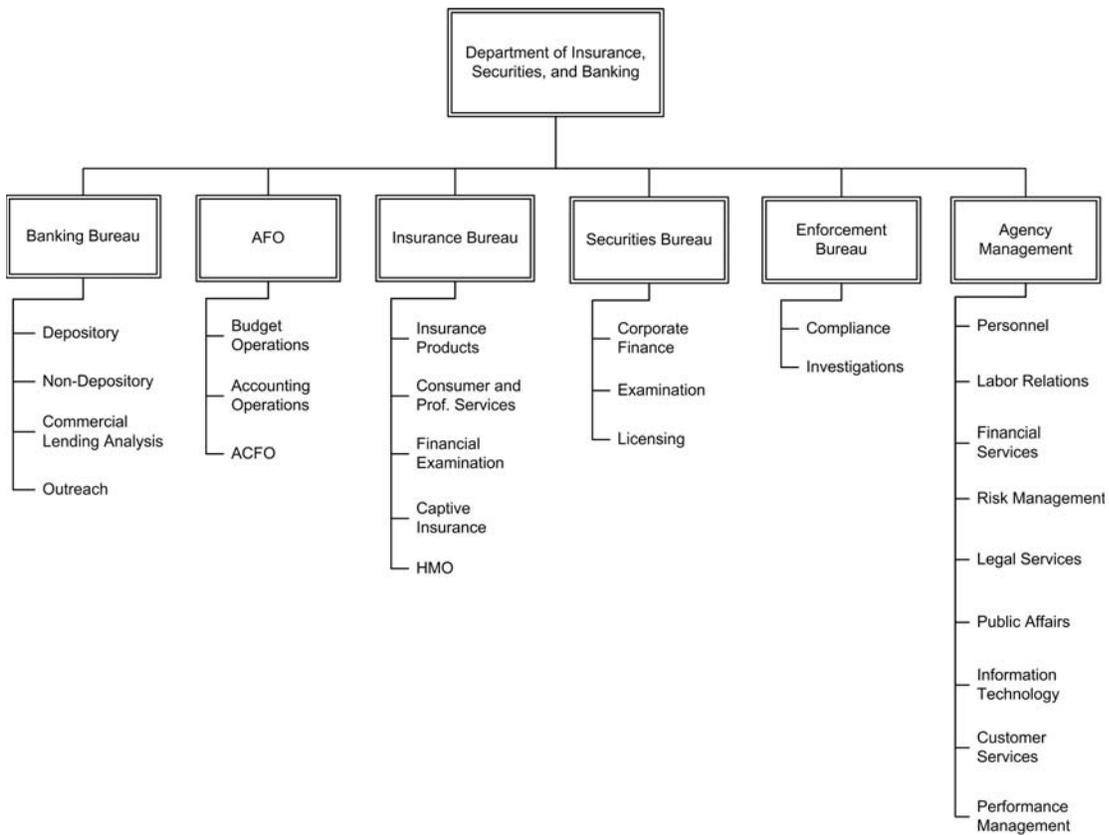
This program has five activities:

- **Insurance Products** - provides for the review or analysis of insurance policy forms offered in the District as well as performs examination and analysis of the sales and marketplace practices of insurance companies to determine compliance with D.C. Code.
- **Consumer Professional Services** - investigates matters regarding consumer issues, such

Expenditure by Program

The Department of Insurance, Securities and Banking has the following program structure:

Figure SR0-1
Department of Insurance, Securities and Banking



as claims disputes, cancellation or non-renewal of insurance policies. Licenses insurance companies, health maintenance organizations, other miscellaneous insurance entities, and their intermediaries, administer pre-licensing and continuing education programs for D.C. licensed insurance producers.

- **Financial Examination** - performs financial surveillance and solvency monitoring of D.C. licensed companies. Analyzes rating rules, rate manuals and rating schedules issued by insurance companies and health maintenance organizations.
- **Captive Insurance** - performs administrative, planning, supervisory and technical regulatory analysis and license approval of captive insurers and risk retention groups seeking to operate in D.C..
- **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.

Key initiatives for this program are to:

- Enhance State Based Systems (SBS) automated licensing system to include modules for consumer complaints. Also, enhance system to accommodate on-line application processing for D.C. resident producers.
- Develop financial reporting standards as well as licensing and financial monitoring procedures for captive insurance companies.
- Implement the proposed National Association of Insurance Commissioners (NAIC) financial regulatory requirements in order for DISB to maintain NAIC accreditation status.
- Develop a licensing and regulatory monitoring process for Public Insurance Adjusters.
- Develop a market analysis section to perform desk audits on the marketing practices of insurance companies licensed to do business in the District of Columbia.
- Participate in NAIC Committees and Working Groups relating to Speed to Market and Insurance Regulatory Modernization.

Program Budget Summary

The proposed **Insurance** program gross funds budget is \$6,554,161, an increase of \$410,617, or 6.7 percent over the FY 2005 approved budget of \$6,143,544. The gross budget supports 54.9 FTEs, a decrease of 0.9 from the FY 2005 approved level.

Significant changes from the FY 2005 approved budget include:

- An increase of \$562,541 to reflect for mandatory salary increases for union employees and salary adjustments for non-union employees along with commensurate increases in fringe benefits.
- A net increase of \$50,298 for projected fixed costs, which includes \$16,725 for telecommunications and \$36,573 for rent.
- A net decrease of \$202,222 in nonpersonal services to reflect agency operational requirements. This amount includes reductions in the Insurance Products activity of \$109,325 for FY 2005 one-time equipment purchases and \$37,500 in contractual services due to contract cost savings.

Key Result Measures

Program 1: Insurance Bureau

Citywide Strategic Priority Area(s): Making Government Work

Manager(s): Margaret Shruender

Supervisor(s): Thomas E. Hampton, Deputy

Measure 1.1: Percent of policy forms processed as accepted or rejected within 45 days of receipt

	Fiscal Year			
	2004	2005	2006	2007
Target	90	90	92	92
Actual	98	-	-	-

Measure 1.2: Percent of licensed domestic insurance companies examined within a year

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	33	33	33
Actual	-	-	-	-

Measure 1.3: Percent of written complaints that are responded to within 48 hours and resolved within 45 days of receipt

	Fiscal Year			
	2004	2005	2006	2007
Target	95	95	95	95
Actual	98	-	-	-

Measure 1.4: Percent of licensed HMO financial examinations finalized within a fiscal year

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	33	33	33
Actual	n/a	-	-	-

Securities Bureau

	FY 2005	FY 2006
Budget	\$2,862,742	\$2,780,625
FTEs	24.6	25.24

Program Description

The **Securities Bureau** Securities program primarily supports the Citywide Strategic Priority area of *Making Government Work*. The purpose of this program is to regulate the securities industry so that it can comply with the laws and regulations of the District.

This program has 3 activities:

- **Corporate Finance** - provides effective review and analysis to investors on certain securities offerings so that they can receive full disclosure as required by the D.C. Code.
- **Licensing** - provides for licensing and registration of securities professionals so that they are in compliance with the D.C. Code.
- **Examination** - provides for the performance of examinations to determine regulatory compliance of securities firms and their representatives as well as investment advisors so that they can institute effective measures for achieving compliance with D.C. Code. Key initiatives for this program are to:
 - Review the compliance status of D.C. securities firms and individuals regarding unregistered securities offerings, unsuitable transactions and market activity in the securities of mutual funds and take appropriate remedial action.

- Implement a web-based complaint and inquiry system for communication with members of the public and the securities industry.
- Develop a coordinated response to common securities regulatory issues affecting banks, insurance companies, broker-dealers and investment adviser firms in response to federal Gramm-Leach-Bliley legislation.

Program Summary

The **Securities Bureau** The proposed Securities program gross funds budget is \$2,780,625, a decrease of \$82,117, or 2.9 percent from the FY 2005 approved budget of \$2,862,742. The gross budget supports 25.24 FTEs, an increase of 0.64 FTE over the FY 2005 approved level.

Significant changes from the FY 2005 approved budget include:

- A decrease of \$82,117 for operational efficiencies resulting from a lower percent overhead allocation due to the FY 2004 merger with the Department of Banking and Financial Institutions (DBFI).

Key Result Measures

Program 2: Securities Bureau

Citywide Strategic Priority Area(s): Making Government Work

Manager(s): Theodore Miles

Supervisor(s): Thomas E. Hampton, Deputy Commissioner

Measure 2.1: Percent of the securities registrations cleared by the Securities Bureau within 60 days

	Fiscal Year			
	2004	2005	2006	2007
Target	95	95	95	95
Actual	98	-	-	-

Note: Previously written as "Percent of the securities offerings reviewed by Securities Bureau."

Measure 2.2: Percent of DC-based investment advisor firms examined within 12 months

	Fiscal Year			
	2004	2005	2006	2007
Target	10	15	15	15
Actual	10	-	-	-

Measure 2.3: Percent of the broker dealer and investment advisor firm licenses processed within 25 days of receipt

	Fiscal Year			
	2004	2005	2006	2007
Target	90	93	93	95
Actual	96	-	-	-

Note: Previously written as "Percent of the applications process completed within 25 days"

Enforcement Bureau

	FY 2005	FY 2006
Budget	\$484,769	\$580,550
FTEs	8.0	5.95

Program Description

The **Enforcement Bureau** program supports the Citywide Strategic Priority of *Making Government Work*. The purpose of the Enforcement Program is to enforce the District's anti-fraud requirements by providing investigations, determinations and referrals for insurance, securities and banking companies and individuals suspected of fraud in order to protect the interests of residents and consumers.

This program has 2 activities:

- **Compliance** - provides regulation guidance, training, data analysis and reporting guidelines for securities/insurance entities, so that they can be in compliance with insurance and securities anti-fraud requirements.
- **Investigation** - provides violation evaluations, investigation, and remedies to individuals, insurance and securities entities and other jurisdictions in order to prevent, detect, and prosecute fraudulent insurance and securities activities.

Key initiatives for this program are to:

- Participate in National Association of Insurance Commissioners (NAIC) anti-fraud committee activities to standardize and enhance the DISB Enforcement Bureau's operational procedures.
- Participate with NAIC and federal authorities in the creation of an insurance anti-fraud information network.
- Amend the current fraud statute to obtain misdemeanor Insurance fraud law.

- Enact legislation creating a civil penalty for fraudulent insurance activity.
- Implement a process to investigate actions on Insurance Producers.

Program Summary

The proposed gross funds budget is \$580,550, an increase of \$95,781, or 19.8 percent over the FY 2005 approved budget of \$484,769. This change includes a Special Purpose Revenue funds increase of \$484,769. The gross budget supports 5.95 FTEs, a decrease of 2.05 FTEs from the FY 2005 approved level.

Significant changes from the FY 2005 approved budget include:

- An increase of \$95,781 and a decrease of 2.05 FTEs for movement of FTEs and associated cost and realignment of other FTEs to reflect the program cost redistribution.

Key Result Measures

Program 3: Enforcement Bureau

Citywide Strategic Priority Area(s): Making Government Work

Manager(s): Stephen Perry

Supervisor(s): Thomas E. Hampton, Deputy Commissioner

Measure 3.1: Percent of insurance company anti-fraud plans filed and reviewed within 6 months of company licensing date

	Fiscal Year			
	2004	2005	2006	2007
Target	100	100	100	100
Actual	100	-	-	-

Note: Previously written as "Percent compliance with filings of insurance anti-fraud plans within 6 months of licensing date."

Measure 3.2: Percent of investigative cases completed within 90 days

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	75	78	78
Actual	n/a	-	-	-

Note: This measure has been modified from the original wording, "cases closed". The agency is responsible for providing a completed investigative case file. Cases are closed after consultation with the US Attorney Office and other staff outside of OISB.

Banking Bureau

	FY 2005	FY 2006
Budget	\$2,182,848	\$2,497,987
FTEs	18.0	27.72

Program Description

The **Banking Bureau** program primarily supports the Citywide Strategic Priority of Making Government Work. The purpose of the Banking program is to regulate the banking and financial institution industries in order to protect the interests of consumers and to determine if these institutions are in compliance with the laws and regulations of the District of Columbia.

This program has 4 activities:

- **Depository** - provides chartering, examination and enforcement services to District depository financial institutions in order for them to provide expanded and equitable financial services to consumers and comply with applicable District law and regulations.
- **Non-Depository** - provides licensing, examination and enforcement services to District non-depository financial institutions so that they can provide expanded and equitable financial services to consumers and comply with applicable District laws and regulations.
- **Commercial Lending and Analysis** - provides community development strategies and capital access services to residents and businesses so that they can have better access to financing for housing opportunities and business development.
- **Community Outreach** - provides financial education services and information to residents of the District of Columbia so that they can become better-informed consumers of financial services and obtain financial independence.

Key initiatives for this program are to:

- Develop an automated process to streamline the initial and renewal licensing process for non-depository financial institutions.
- Develop and enact new banking legislation that will make the District of Columbia an attractive place for financial institutions to domicile.

- Participate in programs and activities provided by the Conference of State Bank Supervisors and other national banking organizations.
- Enact procedures on the issuance of enforcement actions to financial institutions that violate District of Columbia banking statutes.

Program Budget Summary

The proposed **Banking Bureau** program gross funds budget is \$2,497,987, an increase of \$315,139, or 14.4 percent over the FY 2005 approved budget of \$2,182,848. This change includes a Local funds decrease of \$200,000, and a Special Purpose Revenue funds increase of \$515,139. The gross budget supports 27.72 FTEs, an increase of 9.72 FTEs over the FY 2005 approved level.

Significant changes from the FY 2005 approved budget include:

- An increase of \$515,139 and 9.72 FTEs due to reallocation of administrative costs.
- A decrease of \$200,000 in the Commercial Lending and Analysis activity due to the local funds transfer of the Individual Development Account program to the State Education Office (SEO).

Key Result Measures

Program 4: Banking Bureau

Citywide Strategic Priority Area(s): Making Government Work

Manager(s): Howard Amer

Supervisor(s): Thomas Hampton, Deputy Commissioner

Measure 4.1: Percent of targeted non-depository institutions examined annually

	Fiscal Year			
	2004	2005	2006	2007
Target	25	30	35	N/A
Actual	35	-	-	-

Note: This measure formerly appeared as KRM 3.1 in the former Department of Banking and Financial Information (DBFI). FY 2007 target TBD.

Measure 4.2: Percent of bank charter applications received by the Department that are processed within 90 days of receipt

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	50	50	N/A
Actual	n/a	-	-	-

Note: New measure in FY 2005. FY 2007 target TBD.

Measure 4.3: Percent of financial institutions applications (initial and renewal) processed by the Department within 45 days of receipt as completed application

	Fiscal Year			
	2004	2005	2006	2007
Target	50	70	70	N/A
Actual	n/a	-	-	-

Note: FY 2007 target TBD.

Agency Management

	FY 2005	FY 2006
Budget	\$1,539,730	\$1,318,160
FTEs	19.6	14.85

Program Description

The purpose of the **Agency Management** program is to provide operational support and the required tools to achieve operational and programmatic results. This program is standard for all Performance-Based Budgeting agencies. More information about the Agency Management program can be found in the Strategic Budgeting chapter.

Program Budget Summary

The proposed **Agency Management** program gross funds budget is \$1,318,160, a decrease of \$221,570, or 14.4 percent from the FY 2005 approved budget of \$1,539,730. The gross budget supports 14.85 FTEs, a decrease of 4.75 FTEs from the FY 2005 approved level.

Significant changes from the FY 2005 approved budget are:

- A net decrease of \$221,570 in personal services and 4.75 FTEs, which were reallocated to the Banking program.

Key Result Measures

Program 5: Agency Management

Citywide Strategic Priority Area(s): Making Government Work

Manager(s): Thomas Hampton, Deputy Commissioner

Supervisor(s): Lawrence H. Mirel, Commissioner

Measure 5.1: Percent variance of estimate to actual expenditure (over/under)

	Fiscal Year			
	2004	2005	2006	2007
Target	5	5	5	5
Actual	n/a	-	-	-

Measure 5.2: Cost of Risk

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	n/a	n/a	n/a
Actual	n/a	-	-	-

Note: This measure replaces "Percent reduction of employee lost workday injury cases." Agencies established baselines for Cost of Risk in cooperation with the Office of Risk Management during FY 2004. The final baseline figures and FY 2005 targets will be published in the FY 2006 Operating Budget and Financial Plan, due to be submitted to Council in late March 2005. Cost of Risk is a comprehensive measure of a wide range of risks confronting each agency, including but not limited to safety issues, financial risks, and potential litigation.

Measure 5.3: Percent of Mayor's Customer Service Standards Met

	Fiscal Year			
	2004	2005	2006	2007
Target	n/a	63	63	63
Actual	n/a	-	-	-

Measure 5.4: Percent of Key Result Measures achieved

	Fiscal Year			
	2004	2005	2006	2007
Target	70	70	70	70
Actual	100	-	-	-

Agency Financial Operations

	FY 2005	FY 2006
Budget	\$461,493	\$276,862
FTEs	6.0	3.0

Program Description

The **Agency Financial Operations** program is to provide 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. More information about the Agency Financial Operations program can be found in the Strategic Budgeting Chapter.

Program Budget Summary

The proposed **Agency Financial Operations** program gross funds budget is \$276,862, a decrease of \$184,631, or 40 percent from the FY 2005 approved budget of \$461,493. The gross budget supports 3.3 FTEs, a decrease of 2.7 FTEs from the FY 2005 approved level.

Significant changes from the FY 2005 approved budget are:

- A net decrease of \$184,631 in personal services and 2.7 FTEs, which were reallocated to the Banking and Securities programs
- A net decrease of \$52,114 in nonpersonal services to reflect reduced operational requirements.

For more detailed information regarding the proposed funding for the activities within this agency's programs, please see schedule 30-PBB in the FY 2006 Operating Appendices volume.

