

# Department of Insurance, Securities, and Banking

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Table SR0-1

Description	FY 2015 Actual	FY 2016 Approved	FY 2017 Proposed	% Change from FY 2016
OPERATING BUDGET	\$18,530,779	\$25,820,775	\$26,404,148	2.3
FTEs	138.1	149.6	149.6	0.0

The mission of the Department of Insurance, Securities, and Banking (DISB) 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.

## 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 2017 proposed budget is presented in the following tables:

## FY 2017 Proposed Gross Funds Operating Budget and FTEs, by Revenue Type

Table SR0-2 contains the proposed FY 2017 budget by revenue type compared to the FY 2016 approved budget. It also provides FY 2015 actual data.

**Table SR0-2**

(dollars in thousands)

Appropriated Fund	Dollars in Thousands					Full-Time Equivalents				
	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Percentage Change*	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Percentage Change
<b>GENERAL FUND</b>										
SPECIAL PURPOSE REVENUE FUNDS	17,624	25,610	26,279	669	2.6	132.3	149.6	149.6	0.0	0.0
<b>TOTAL FOR GENERAL FUND</b>	<b>17,624</b>	<b>25,610</b>	<b>26,279</b>	<b>669</b>	<b>2.6</b>	<b>132.3</b>	<b>149.6</b>	<b>149.6</b>	<b>0.0</b>	<b>0.0</b>
<b>FEDERAL RESOURCES</b>										
FEDERAL GRANT FUNDS	792	0	0	0	N/A	5.8	0.0	0.0	0.0	N/A
<b>TOTAL FOR FEDERAL RESOURCES</b>	<b>792</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>N/A</b>	<b>5.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>
<b>INTRA-DISTRICT FUNDS</b>										
INTRA-DISTRICT FUNDS	115	210	125	-85	-40.6	0.0	0.0	0.0	0.0	N/A
<b>TOTAL FOR INTRA-DISTRICT FUNDS</b>	<b>115</b>	<b>210</b>	<b>125</b>	<b>-85</b>	<b>-40.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>
<b>GROSS FUNDS</b>	<b>18,531</b>	<b>25,821</b>	<b>26,404</b>	<b>583</b>	<b>2.3</b>	<b>138.1</b>	<b>149.6</b>	<b>149.6</b>	<b>0.0</b>	<b>0.0</b>

\*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 2017 Operating Appendices** located on the Office of the Chief Financial Officer's website.

## FY 2017 Proposed Operating Budget, by Comptroller Source Group

Table SR0-3 contains the proposed FY 2017 budget at the Comptroller Source Group (object class) level compared to the FY 2016 approved budget. It also provides FY 2014 and FY 2015 actual expenditures.

**Table SR0-3**

(dollars in thousands)

Comptroller Source Group	Actual FY 2014	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Percentage Change*
11 - REGULAR PAY - CONTINUING FULL TIME	9,190	11,129	14,058	14,043	-15	-0.1
12 - REGULAR PAY - OTHER	780	585	643	883	240	37.3
13 - ADDITIONAL GROSS PAY	108	215	113	113	0	0.0
14 - FRINGE BENEFITS - CURRENT PERSONNEL	1,934	2,362	2,911	3,045	134	4.6
15 - OVERTIME PAY	7	16	21	21	0	0.0
99 - UNKNOWN PAYROLL POSTINGS	0	0	0	0	0	N/A
<b>SUBTOTAL PERSONAL SERVICES (PS)</b>	<b>12,019</b>	<b>14,306</b>	<b>17,746</b>	<b>18,106</b>	<b>360</b>	<b>2.0</b>
20 - SUPPLIES AND MATERIALS	53	33	59	75	15	25.9
31 - TELEPHONE, TELEGRAPH, TELEGRAM, ETC.	120	84	94	95	1	0.8
32 - RENTALS - LAND AND STRUCTURES	1,738	1,957	2,048	2,011	-37	-1.8
34 - SECURITY SERVICES	0	0	9	7	-2	-20.5

**Table SR0-3**

(dollars in thousands)

Comptroller Source Group	Actual FY 2014	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Percentage Change*
35 - OCCUPANCY FIXED COSTS	0	0	26	0	-26	-99.9
40 - OTHER SERVICES AND CHARGES	842	551	1,248	1,501	252	20.2
41 - CONTRACTUAL SERVICES - OTHER	1,312	1,266	1,785	1,780	-5	-0.3
50 - SUBSIDIES AND TRANSFERS	1,525	50	2,000	2,000	0	0.0
70 - EQUIPMENT AND EQUIPMENT RENTAL	340	285	804	830	25	3.2
<b>SUBTOTAL NONPERSONAL SERVICES (NPS)</b>	<b>5,932</b>	<b>4,225</b>	<b>8,075</b>	<b>8,298</b>	<b>224</b>	<b>2.8</b>
<b>GROSS FUNDS</b>	<b>17,951</b>	<b>18,531</b>	<b>25,821</b>	<b>26,404</b>	<b>583</b>	<b>2.3</b>

\*Percent change is based on whole dollars.

**FY 2017 Proposed Operating Budget and FTEs, by Division/Program and Activity**

Table SR0-4 contains the proposed FY 2017 budget by division/program and activity compared to the FY 2016 approved budget. It also provides FY 2015 actual data. For a more comprehensive explanation of divisions/programs and activities, please see the Division/Program Description section, which follows the table.

**Table SR0-4**

(dollars in thousands)

Division/Program and Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016
<b>(1000) AGENCY MANAGEMENT</b>								
(1010) PERSONNEL	170	185	194	9	1.9	2.0	2.0	0.0
(1017) LABOR PARTNERSHIP	76	79	83	4	1.0	1.0	1.0	0.0
(1040) OFFICE OF INFO TECH AND SUPPORT	0	0	0	0	5.8	0.0	0.0	0.0
(1040) OFFICE OF INFO TECH AND SUPPORT	3,562	4,620	4,687	67	12.1	11.0	11.0	0.0
(1060) OFFICE OF LEGAL SVS	1,375	1,776	1,855	79	0.0	13.0	13.0	0.0
(1080) PUBLIC AFFAIRS	397	701	725	24	4.8	4.0	4.0	0.0
(1090) PERFORMANCE MANAGEMENT	372	320	666	346	2.9	2.0	5.0	3.0
<b>SUBTOTAL (1000) AGENCY MANAGEMENT</b>	<b>5,952</b>	<b>7,680</b>	<b>8,210</b>	<b>529</b>	<b>28.6</b>	<b>33.0</b>	<b>36.0</b>	<b>3.0</b>
<b>(100F) AGENCY FINANCIAL OPERATIONS</b>								
(110F) BUDGET OPERATION	125	170	326	156	1.9	1.0	2.0	1.0
(120F) ACCOUNTING OPERATIONS	533	602	517	-85	4.8	6.0	5.0	-1.0
(130F) ACFO	190	205	212	7	1.0	1.0	1.0	0.0
<b>SUBTOTAL (100F) AGENCY FINANCIAL OPERATIONS</b>	<b>848</b>	<b>977</b>	<b>1,055</b>	<b>77</b>	<b>7.7</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0</b>
<b>(2000) INSURANCE</b>								
(2010) INSURANCE PRODUCTS	932	1,282	1,509	227	9.0	9.3	11.7	2.3
(2015) FINANCIAL SURVEILLANCE	570	734	724	-10	4.5	5.6	5.6	0.0
(2050) HMO	461	601	561	-40	4.2	4.1	4.3	0.2
(2080) DC MARKET OPERATIONS INSURANCE	159	264	300	37	0.2	0.2	0.0	-0.2
(2090) HEALTH INSURANCE REVIEW	886	610	645	35	3.9	6.0	6.0	0.0
<b>SUBTOTAL (2000) INSURANCE</b>	<b>3,007</b>	<b>3,490</b>	<b>3,739</b>	<b>249</b>	<b>21.9</b>	<b>25.4</b>	<b>27.6</b>	<b>2.2</b>

**Table SR0-4**

(dollars in thousands)

Division/Program and Activity	Dollars in Thousands				Full-Time Equivalents			
	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016	Actual FY 2015	Approved FY 2016	Proposed FY 2017	Change from FY 2016
<b>(3000) SECURITIES</b>								
(3010) CORPORATE FINANCE	654	809	898	89	6.3	6.5	7.0	0.5
(3030) SECURITIES LICENSING	535	559	482	-77	4.4	4.5	4.0	-0.5
(3080) DC MARKET OPERATIONS SECUR	199	234	548	314	0.2	0.2	1.0	0.8
<b>SUBTOTAL (3000) SECURITIES</b>	<b>1,388</b>	<b>1,602</b>	<b>1,928</b>	<b>326</b>	<b>10.9</b>	<b>11.2</b>	<b>12.0</b>	<b>0.8</b>
<b>(4000) ENFORCEMENT</b>								
(4050) ENFORCEMENT	258	344	235	-109	2.4	2.5	2.0	-0.5
(4060) INVESTIGATIONS	422	633	756	123	6.3	5.5	6.0	0.5
(4080) DC MARKET COMPLIANCE ENFORCEMENT	7	33	46	13	0.2	0.0	0.0	0.0
<b>SUBTOTAL (4000) ENFORCEMENT</b>	<b>687</b>	<b>1,010</b>	<b>1,037</b>	<b>27</b>	<b>8.9</b>	<b>8.0</b>	<b>8.0</b>	<b>0.0</b>
<b>(5000) BANKING</b>								
(5010) DEPOSITORY	9	0	0	0	0.0	0.0	0.0	0.0
(5060) LICENSING	693	741	871	130	6.3	6.5	7.0	0.5
(5070) MARKET SERVICES	1,617	3,913	3,762	-151	9.2	9.0	8.0	-1.0
(5080) DC MARKET OPERATIONS BANKING	316	450	406	-44	0.2	0.2	0.0	-0.2
<b>SUBTOTAL (5000) BANKING</b>	<b>2,635</b>	<b>5,103</b>	<b>5,039</b>	<b>-65</b>	<b>15.7</b>	<b>15.8</b>	<b>15.0</b>	<b>-0.8</b>
<b>(6000) RISK FINANCE</b>								
(6010) COMPLIANCE	279	510	145	-366	2.4	4.5	1.0	-3.5
(6020) FINANCIAL ANALYSIS	96	95	207	112	0.0	0.5	1.0	0.5
(6030) REGULATORY REVIEW AND LICENSING	90	98	103	5	1.4	1.0	1.0	0.0
(6080) DC MARKET OPERATIONS RISK FINANCE	26	208	160	-48	0.0	0.2	0.0	-0.2
<b>SUBTOTAL (6000) RISK FINANCE</b>	<b>492</b>	<b>912</b>	<b>615</b>	<b>-297</b>	<b>3.9</b>	<b>6.2</b>	<b>3.0</b>	<b>-3.2</b>
<b>(8000) MARKET EXAMINATIONS</b>								
(8010) INSURANCE EXAMS	317	389	345	-44	3.9	3.2	3.0	-0.2
(8020) SECURITIES EXAMS	372	505	457	-47	5.8	4.2	4.0	-0.2
(8030) BANKING EXAMS	1,159	1,564	1,479	-86	11.6	13.2	13.0	-0.2
(8040) RISK FINANCE EXAMS	586	775	684	-92	4.8	6.2	5.0	-1.2
(8080) DC MARKET COMPLIANCE EXAMS	-1	0	0	0	0.5	0.0	0.0	0.0
<b>SUBTOTAL (8000) MARKET EXAMINATIONS</b>	<b>2,434</b>	<b>3,234</b>	<b>2,965</b>	<b>-268</b>	<b>26.7</b>	<b>27.0</b>	<b>25.0</b>	<b>-2.0</b>
<b>(9000) COMPLIANCE ANALYSIS</b>								
(9010) CONSUMER SERVICES	752	933	976	42	7.3	8.0	8.0	0.0
(9020) MARKET RESEARCH ANALYSIS	224	670	635	-35	6.3	6.0	6.0	0.0
(9080) DC MARKET COMPLIANCE ANALYSIS	113	210	205	-4	0.3	1.0	1.0	0.0
<b>SUBTOTAL (9000) COMPLIANCE ANALYSIS</b>	<b>1,089</b>	<b>1,813</b>	<b>1,816</b>	<b>4</b>	<b>13.9</b>	<b>15.0</b>	<b>15.0</b>	<b>0.0</b>
<b>TOTAL PROPOSED OPERATING BUDGET</b>	<b>18,531</b>	<b>25,821</b>	<b>26,404</b>	<b>583</b>	<b>138.1</b>	<b>149.6</b>	<b>149.6</b>	<b>0.0</b>

(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 programs, please see **Schedule 30-PBB Program Summary by Activity** in the **FY 2017 Operating Appendices** located on the Office of the Chief Financial Officer's website. "No Activity Assigned" indicates budget or actuals that are recorded at the division/program level.

## Division Description

The Department of Insurance, Securities, and Banking operates through the following 9 divisions:

**Insurance** – monitors the financial solvency of insurance companies and Health Maintenance Organizations (HMO) operating in the District of Columbia; issues licenses to insurance companies, insurance producers, and related entities; resolves consumer 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 to ensure a viable insurance market in the District.

This division contains the following 5 activities:

- **Insurance Products** – reviews all types of insurance policy forms and actuarial memoranda to determine whether they conform to District insurance laws and regulations; analyzes rating rules, rate manuals and rating schedules; conducts actuarial and statistical analysis of rate increase requests; and maintains a database for claims and investment experience;
- **Financial Surveillance** – 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;
- **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;
- **DC Market Operations Insurance** – provides for administrative support and the required tools for the bureau to achieve operational and programmatic results; and
- **Health Insurance Review** – reviews health insurance rate filings submitted for products sold in the District to ensure compliance with District law and federal health care reform; conducts analysis on rate filing trends; and provides consumer information on health insurance rates.

**Securities** – oversees the regulatory activities of stock brokerage and investment firms in the District to proactively protect District residents against malpractice and fraud by securities professionals, and to ensure proper marketing and disclosure of securities products in compliance with the District Code.

This division contains the following 3 activities:

- **Corporate Finance** – reviews and analyzes securities offerings to investors to ensure full disclosure with the District's securities laws;
- **Securities Licensing** – reviews and approves, subject to District laws, investment advisors, investment advisor representatives, broker-dealers, and broker-dealer agents doing business in the District; and
- **DC Market Operations Securities** – provides for administrative support and the required tools for the bureau to achieve operational and programmatic results.

**Enforcement** – directs programs designed to detect and take actions against individuals and companies engaged in fraudulent financial operations and services, and investigates compliance complaints.

This division contains the following 3 activities:

- **Enforcement** – ensures observance of District laws by providing remedies to individuals, insurance, securities and banking entities and other jurisdictions in order to prevent, detect, and prosecute insurance, securities and banking fraudulent activities;
- **Investigations** – responds to inquiries and complaints from consumers, and investigates and establishes the underlying facts to ensure adherence with the District's financial services and relevant consumer protection laws; and

- **DC Market Compliance Enforcement** – provides technical and administrative support for the bureau to achieve operational and programmatic results.

**Banking** – regulates the activities of depository and non-depository financial institutions within the District to protect consumers from unfair practices by conducting timely financial examinations and providing a fair financial market that benefits District consumers and businesses.

This division contains the following 3 activities:

- **Licensing** – reviews and approves, subject to District laws, District chartered banks, mortgage lenders and brokers, loan originators, money transmitters, check cashers, money lenders, and consumer credit service organizations doing business in the District;
- **Market Services** – administers the foreclosure mediation, Certified Capital Company (CAPCO), and State Small Business Credit Initiative programs; and
- **DC Market Operations Banking** – provides for administrative support and the required tools for the bureau to achieve operational and programmatic results.

**Risk Finance** – reviews and approves licensing applications for the formation of captive insurance companies and maintains regulatory oversight of captive insurers and risk retention groups that operate or plan to do business in the District.

This division contains the following 4 activities:

- **Compliance** – provides solvency and compliance monitoring and technical assistance for the captive insurance industry and other regulators to maintain a viable alternative insurance market in the District;
- **Financial Analysis** – analyzes financial and actuarial reports to ensure captive insurance companies and risk retention groups maintain capital and surplus required under District law;
- **Regulatory Review and Licensing** – reviews and approves, subject to District laws, licensing applications of captive insurance companies and risk retention groups, and provides technical assistance to other regulators; and
- **DC Market Operations Risk Finance** – provides for administrative support and the required tools for the bureau to achieve operational and programmatic results.

**Market Examinations** – conducts on-site examinations of all domiciled insurance companies; inspects District-based investment advisers and broker-dealers, District-chartered banks, and non-depository financial services institutions doing business in the District; monitors solvency of financial firms doing business in the District of Columbia; and develops comprehensive analysis of financial services market to identify current and emerging systematic issues and coordinate regulatory actions.

This division contains the following 4 activities:

- **Insurance Exams** – provides solvency and compliance monitoring of insurance companies to ensure compliance with District laws;
- **Securities Exams** – performs examinations of financial condition and regulatory compliance of securities firms and their representatives;
- **Banking Exams** – provides chartering, examination and enforcement services pertaining to District chartered banks and District licensed non-depository institutions; and
- **Risk Finance Exams** – provides solvency and compliance monitoring and technical assistance for the captive insurance industry and other regulators.

**Compliance Analysis** – provides research and analysis of industry sectors to establish best practices, and coordinates information from the Market Examinations Bureau with other bureaus to identify and define key market factors that drive changes in each industry sector.

This division contains the following 3 activities:

- **Consumer Services** – reviews consumer complaints regarding financial institutions and firms operating in the District to determine compliance with District laws and regulations, and conducts analysis and investigates matters regarding consumer issues;
- **Market Research Analysis** – provides research and analysis of industry sectors to establish “best practices” standards and guidelines for design, delivery, and results monitoring of financial products and services; and
- **DC Market Compliance Analysis** – provides technical and administrative support for the bureau to achieve operational and programmatic results.

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

### Division Structure Change

The Department of Insurance, Securities, and Banking has no division structure changes in the FY 2017 proposed budget.

## FY 2016 Approved Budget to FY 2017 Proposed Budget, by Revenue Type

Table SR0-5 itemizes the changes by revenue type between the FY 2016 approved budget and the FY 2017 proposed budget. For a more comprehensive explanation of changes, please see the FY 2017 Proposed Budget Changes section, which follows the table.

**Table SR0-5**

(dollars in thousands)

DESCRIPTION	DIVISION/PROGRAM	BUDGET	FTE
<b>SPECIAL PURPOSE REVENUE FUNDS: FY 2016 Approved Budget and FTE</b>		<b>25,610</b>	<b>149.6</b>
Increase: To align personal services and Fringe Benefits with projected costs	Multiple Programs	360	0.0
Increase: To align resources with operational spending goals	Multiple Programs	309	0.0
<b>SPECIAL PURPOSE REVENUE FUNDS: FY 2017 Agency Budget Submission</b>		<b>26,279</b>	<b>149.6</b>
No Change		0	0.0
<b>SPECIAL PURPOSE REVENUE FUNDS: FY 2017 Mayor's Proposed Budget</b>		<b>26,279</b>	<b>149.6</b>
<b>INTRA-DISTRICT FUNDS: FY 2016 Approved Budget and FTE</b>		<b>210</b>	<b>0.0</b>
Decrease: To align resources with operational spending goals	Multiple Programs	-85	0.0
<b>INTRA-DISTRICT FUNDS: FY 2017 Agency Budget Submission</b>		<b>125</b>	<b>0.0</b>
No Change		0	0.0
<b>INTRA-DISTRICT FUNDS: FY 2017 Mayor's Proposed Budget</b>		<b>125</b>	<b>0.0</b>
<b>GROSS FOR SR0 - DEPARTMENT OF INSURANCE, SECURITIES, AND BANKING</b>		<b>26,404</b>	<b>149.6</b>

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

## **FY 2017 Proposed Budget Changes**

The Department of Insurance, Securities, and Banking's (DISB) proposed FY 2017 gross budget is \$26,404,148, which represents a 2.3 percent increase over its FY 2016 approved gross budget of \$25,820,775. The budget is comprised of \$26,279,148 in Special Purpose Revenue funds and \$125,000 in Intra-District funds.

### **Agency Budget Submission**

**Increase:** DISB's FY 2017 Special Purpose Revenue funds budget proposal includes a net increase of \$359,854 in personal services primarily in the Securities, Insurance, and Agency Management divisions to account for salary step increases and Fringe Benefit adjustments and the realignment of Full-Time Equivalent (FTEs) to support program initiatives. Additionally, the proposed budget includes a net increase of \$308,830 in nonpersonal services, primarily in Contractual Services, to support a bank code modernization project, actuarial services, local advertising, staff development, and new IT projects for the agency.

**Decrease:** In Intra-District funds, the budget proposal reflects a net decrease of \$85,310 primarily in Contractual Services across multiple divisions. This adjustment represents the realignment of funds for DISB's Memorandums of Understanding (MOUs) with the Department of Health Care Finance (DHCF) for insurers' assessment services and with the Department of Employment Services (DOES) for DISB's participation in the Summer Youth Employment Program, and the elimination of an MOU with the District of Columbia Health Benefit Exchange.

### **Mayor's Proposed Budget**

**No Change:** The Department of Insurance, Securities, and Banking's budget proposal reflects no change from the agency budget submission to the Mayor's proposed budget.