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**TESTIMONY OF
AL REDMER, JR.
INSURANCE COMMISSIONER
BEFORE THE
HEALTH AND HUMAN SERVICES SUBCOMMITTEE
OF THE
SENATE BUDGET AND TAXATION COMMITTEE
MARCH 4, 2016
AND THE
TRANSPORTATION AND THE ENVIRONMENT SUBCOMMITTEE
OF THE
HOUSE APPROPRIATIONS COMMITTEE
MARCH 7, 2016**

Thank you, Subcommittee Chair and Members, for the opportunity to appear before you this afternoon. I am Al Redmer, Jr., Maryland's Insurance Commissioner. With me today are Nancy Grodin, Deputy Commissioner, Nancy Egan, Director of Government Relations, Jim Langford, Director of Fiscal Services, Paula Keen, Chief Information Officer, and Phil Ermer, Manager of Special Projects.

I would like to thank Sierra Boney of the Department of Legislative Services for her analysis of the Maryland Insurance Administration's (MIA) FY 2017 budget. I would also like to thank Kate Holmes and Joan Peacock of the Department of Budget and Management who have been instrumental in helping the agency document its compliance with the recommendations made by the Office of Legislative Audits (OLA) in its November 20, 2014, legislative audit report.

I will comment briefly on three areas in which the Department of Legislative Services (DLS) made recommendations or invited MIA comment. First, I will address the DLS recommendation regarding the Managing for Results Performance measure indicating that there was a decrease in the percentage of MIA property and casualty complaints resolved within 90 days. Next, I will address the status of the Enterprise Complaint Tracking System project. Finally, I will comment on the Office of Legislative Audit follow-up report dated February 10,

2016. If you would like a copy of any documentation which supports my testimony today, please see Nancy Egan.

The Maryland Insurance Administration is an independent unit of State government organized in accordance with Title 2, Subtitle 1 of the Insurance Article. The MIA is responsible for enforcing the laws governing the business of insurance within the State. The agency promulgates regulations to carry out the Insurance Article, and issues bulletins and other guidance for the insurance industry and consumers of insurance products in the State.

DLS RECOMMENDATIONS

- I. DLS recommends that MIA comment on the decrease in Property and Casualty complaints resolved in 90 days.***

MIA Response:

During FY 2013, the MIA Property and Casualty Unit (P&C Unit) resolved 93% of its complaints within 90 days. During FY 2014 the P&C Unit received 5,412 complaints and resolved 76.7% of those complaints within the 90-day goal. During FY 2015, the MIA received 17,001 complaints, which, beginning in October, 2014, included 10,615 complaints from policyholders disputing a notice of premium increase issued by State Farm Fire and Casualty. During FY 2015, the MIA P&C Unit resolved 55.9% of its complaints within the 90-day goal.

The P&C Auto Protest Team resolves notice of premium increase (NOPI) protests. For the 5-year period from 2009-2013, the P&C Unit received an annual average of 4,867 auto-protest complaints. The single biggest factor leading to the decrease in the number of complaints resolved within 90 days was the volume of incoming State Farm-related NOPI complaints. MIA management did two things to address this. First, management identified other employees throughout the Agency who could quickly and temporarily relocate to the Auto-Protest Team in order to better handle the increased volume. Second, MIA management began meeting with State Farm representatives to resolve the issue and reduce the rate of complaints being filed. The rate of incoming NOPI complaints has decreased from approximately 1,500 per month to approximately 350 per month.

- II. DLS recommends that the agency brief the committees on the status of the ECTS project and steps that the agency has taken to ensure effective project management.***

MIA Response:

On December 26, 2014, the MIA received approval from the Maryland Department of Information Technology (DoIT) to release the task order request for proposal (TORFP) for the Enterprise Complaint Tracking System (ECTS) project. The ECTS Implementation Contract was awarded to International Software Systems, Inc. (ISSI) in June, 2015. Since the beginning of this project Chief Information Officer Paula Keen has been the program manager overseeing the ISSI-dedicated project manager.

As of January, 2016, the new ECTS application was mapped to the ECTS requirements by the MIA Project Steering Committee. Project Management documents were delivered by ISSI and approved by the MIA and DoIT. Infrastructure components are scheduled to be installed in March, 2016.

In order to ensure effective project management, MIA staff continues to work closely with DoIT to complete the ECTS project. The MIA submits a monthly progress report to DoIT. Further, the DoIT oversight project manager participates in weekly project status meetings with the MIA

III. DLS recommends that MIA comment on the recent OLA follow up report. DLS also recommends that the currently restricted funds to be released.

MIA Response:

The OLA conducted a Follow-up Review (Review) of certain findings contained in the November, 2014 Audit Report and issued a report on February 12, 2016. During this Review the OLA evaluated the status of 9 outstanding findings. The OLA determined that 5 of those findings had been corrected and 4 were in progress. The MIA agreed with the Review. Four of those findings have since been corrected. The fifth finding involves the new premium tax system.

The procurement of a new premium tax system is in progress. The MIA initially determined to purchase a premium tax system from the National Association of Insurance Commissioners (NAIC) without cost by virtue of Maryland's membership in the NAIC. On advice of counsel, however, the MIA determined to conduct a procurement for the new premium tax system. As recommended in the FY 2017 budget, it is estimated that the cost will be approximately \$250,000. Once the request for a proposal has been finalized it will be submitted to DoIT for review and approval.

Thank you again for the opportunity to appear before you today. I am happy to address any questions you may have.