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**Maryland Insurance Administration (D80Z01)
Fiscal Year 2024 Operating Budget
Response to Department of Legislative Services Analysis**

**Senate Budget and Taxation Committee
Public Safety, Transportation and Environment Subcommittee
Senator Sarah K. Elfreth, Chair
February 16, 2023**

**House Appropriations Committee
Transportation and the Environment Subcommittee
Delegate Marc Korman, Chair
February 20, 2023**

The Maryland Insurance Administration (MIA) appreciates the opportunity to provide written testimony regarding its proposed budget for Fiscal Year 2024.

First, the MIA thanks the Department of Legislative Services (DLS) for its thoughtful analysis of the MIA's FY24 proposed budget. The MIA agrees with the two recommendations included in the DLS analysis, although it has provided one factual correction and additional context related to the MIA's recruitment efforts and additional context related to the ITS project.

Technology Enhancements

As the DLS Analysis notes, the primary drivers of increases to the MIA's FY24 proposed budget are improvements and enhancements to the MIA's cybersecurity and technology infrastructure. A core element of those enhancements remains the implementation of the MIA's Insurance Tracking System (ITS) project, which suffered a setback during in FY22 and FY23 because of a non-performing vendor, but is on target to begin implementation in FY24.

As initially designed and awarded, the ITS project was intended to replace MIA's legacy Enterprise System (ES), which was custom built for MIA in the 1990's to track and to provide rudimentary case management support to specific divisions within MIA. Following the contracted vendor's default and the termination of the ITS contract in March 2022, MIA worked with the DoIT Enterprise Program Management Office to determine the most efficient and expeditious path forward, ultimately concluding that it was in the best long term interest of the agency to expand the scope of the ITS project to include the replacement of the agency's Enterprise Complaint Tracking Systems (ECTS) (which tracks consumer complaints and related investigations) and other off the shelf software tools that MIA has used to modernize and digitize processes.

As currently designed, the ITS project will enable MIA to move away from multiple, custom built platforms that do not integrate, to a single platform that would support all required functions using a Commercial Off-the-Shelf (COTS) product. This will improve functionality and workflow productivity and modernize and automate the MIA's reporting, tracking, and task management processes, while allowing for expansion, improvements, and supported updates. DoIT recommended that MIA pursue a Salesforce Solution through the State's Master Contract. MIA accepted DoIT's recommendations. Working with DoIT, the scope of the ITS project description was expanded and bids were requested from the State's Salesforce vendors. Those bids were received by DoIT on February 10, 2023 and are currently being reviewed for compliance by DoIT.

In its analysis, DLS recommends adopting a committee narrative requesting a report on the spending and progress history of the ITS project and how MIA intends to track and report project spending going forward.

MIA has been and continues to meet with the DoIT Enterprise Program Management Office on this Major IT Development Project (MITDP) providing monthly updates on technical progress and project spending to our Oversight Project Manager via the Monthly Assessment Reports that DoIT prescribes. MIA agrees that an interim report on the ITS project is appropriate and is happy to provide interim reports on the progress of the project, including spending, as adopted by the Committee.

MIA Recruitment

As a general matter, the MIA maintains its workforce and is able to readily recruit and retain employees to fill positions. However, the MIA struggles to recruit qualified candidates for specialized professional positions.

In its analysis, DLS recommends that MIA comment on which operations see the highest staffing struggles and what the agency is doing to recruit and retain staff.

MIA appreciates the opportunity to provide this information. As a correction, MIA notes that it had 27 (not 32) vacant positions as of 12/31/22. With respect to those 27 positions, 8 positions have been filled since 12/31/22. Of the remaining 19:

- 11 are currently in open recruitment:
 - 1 position: offer accepted, pending a start date
 - 4 positions: offers made and rejected
 - 1 position: offer outstanding
 - 2 positions: interview stage
 - 3 positions: active recruitment
- For the remaining 8:
 - 2 are positions that are subject to approval from the Governor
 - 3 are being reclassified/reallocated
 - 2 are pending contractual conversions
 - 1 pending Human Resources review and approval before posting

For the 4 positions as to which offers were made and rejected, MIA is currently assessing whether reclassification is appropriate to attract candidates or whether work within the units should be adjusted and the positions reallocated to other functions.

For context, looking at the positions that were open as of 12/31/22, the length of time a position is open tends to correlate to the technical nature of the position, the pool of qualified candidates available, and the compensation available. For the 27 positions open as of 12/31/22:

- 14 Positions had been open for less than 6 months, ranging (at the time) from less than 1 month to 6 months (12 positions), less than one month (2 positions) and all were in active recruitment.
- 8 Positions had been open for less than a year, but more than 6 months.
- 5 Positions have been open for more than a year. Of these:
 - 2 positions are being reclassified to increase compensation in order to improve the Agency's ability to fill these positions with qualified candidates
 - 3 positions are being reallocated and reclassified to meet higher priority needs of MIA, such as a Chief Data Scientist.

As DLS has noted, MIA does lose professional personnel to industry and to other regulatory agencies, which offer better compensation. MIA typically attempts to replace such personnel with candidates of comparable experience and qualifications, but may have to repost several times or accept more junior candidates and train. For example, MIA posted positions for analysts within the Life and Health Division to support MIA's network adequacy and mental health parity enforcement obligations multiple times, but has not been able to attract a qualified candidate. The work is currently being performed by contract employees.

For positions that have been historically very difficult to fill because of the specialized and technical nature of the work, MIA is employing three strategies.

- First, several positions are being reclassified to increase the salary range in an effort to attract qualified candidates.
- Second, for positions that are tied to external qualification standards from the NAIC or similar body, MIA's recruitment issues are shared by most other insurance regulators and we are working with those bodies to address practical adjustments to the qualifications to recognize the absence of candidates meeting those qualifications and focusing, instead on candidates that have the necessary education and can acquire training and additional credentials through workplace training.
- Third, MIA is using contract employees and consultants to assist it to perform sophisticated analysis and evaluations in specialized areas. For some positions, where reclassifications do not result in successful recruitments, MIA will retain the contract employees and consultants and hire more junior and entry level individuals with adjacent educational or professional experience to be trained by the consultant's/contract employees.

Beyond these specialty areas, MIA turnover is related to retirements and what we consider routine attrition.

Generally, MIA utilizes several internet and social media platforms to recruit. MIA posts job openings on industry specific platforms (i.e., Society of Financial Examiners and the Association of Insurance Compliance Professionals). The Agency participates in career fairs around the State. Additionally, the DBM Recruitment and Examination Division will be assigning MIA a recruitment analyst to assist with filling positions.