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**Maryland Insurance Administration (D80Z01)  
Fiscal Year 2025 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 5, 2024**

**House Appropriations Committee  
Transportation and the Environment Subcommittee  
Delegate Courtney Watson, Chair  
January 31, 2024**

The Maryland Insurance Administration (MIA) appreciates the opportunity to provide written testimony regarding its proposed budget for Fiscal Year 2025.

First, the MIA thanks the Department of Legislative Services (DLS) for its thoughtful analysis of the MIA's FY25 proposed budget. The MIA agrees with the recommendations included in the DLS analysis, although it has provided one factual correction, additional context related to the MIA's vacancy rate, and additional context related to the ITS project.

### **Technology Enhancements**

As the DLS Analysis notes, one of the primary drivers of increases to the MIA's FY25 proposed budget are improvements and enhancements to the MIA's cybersecurity and technology infrastructure. As was the case in FY24, a core element of those enhancements remains the implementation of the MIA's Insurance Tracking System (ITS) project, which suffered a setback during FY22 and FY23 because of a non-performing vendor, but began 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 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 DoIT to determine which platform was the best fit for our agency. DoIT recommended that MIA pursue a Salesforce solution, and MIA accepted DoIT's recommendations.

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. This system will bring automation to mundane processes, enhance the security of our data, and streamline workflow to complete daily tasks more efficiently.

The ITS (Salesforce) Project has been moving efficiently and quickly since the move to Salesforce and its professional services in 2023. Phase 1, which started in July 2023 and was completed in September 2023, and the deliverables fulfilled during this phase include: the creation of detailed diagrams of our current and future workflow; thorough requirements gathering; identifying IT system weaknesses; best-practice recommendations; and the development of a system architecture for the MIA. To achieve such tasks, Salesforce completed 68 sessions, met with 51 stakeholders (internal employees and external partners), and spent nearly 15 hours reviewing recorded meetings with the MIA's business units. Currently, we are in Phase 2, the Design Phase, of the project.

The Design Phase began in November 2023 and will be completed in early February 2024, at which point implementation will begin. A primary focus at the Design Phase has been developing "User Stories," in which MIA employees describe to Salesforce the who, why, and what of their daily jobs. This process provides greater detail of the agencies' functionality and provides context to Salesforce as it begins building the system. It also provides better assurances that the scope of the Project is accurate, that the systems will support actual operational needs, and that end users are heard and understood with respect to their functional and practical needs. We are investing in a Change Manager to prepare staff for the upcoming system change and a

User Experience (UX) Architect to concentrate on developing flow, webpage design, and interactions the employees and Maryland citizens will experience when using the system. Salesforce completed 25 sessions, over 500 user stories documented, and 20 change management meetings with executive staff, managers, and specialists. When the Implementation Phase begins in February 2024, the first business unit Salesforce will build its platform for is the Health Coverage Assistance Team (H-CAT), and their go-live date is May 2024. There will be subsequent releases for the business unit until the project is complete.

On January 25, 2024, the Department of Information Technology (DoIT) approved the Maryland Insurance Administration (MIA) for additional funding for the project.

**In its analysis, DLS recommends adopting a committee narrative requesting two reports on ITS project development, including updates on estimated project costs, actual spending, and progress in completing project components.**

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. The MIA agrees that an interim and a year-end report on the ITS project are appropriate and is happy to provide these reports on the progress of the project, including spending, as adopted by the Committee.

### **MIA Recruitment and Retention**

The MIA maintains its workforce and is able to readily recruit and retain employees to fill many of its positions. However, the MIA has struggle to recruit qualified candidates for specialized professional positions.

As of 12/31/2023, there were 13 vacancies at the MIA. The vacancy rate of 5.41% is a significant improvement from the vacancy rate as of 12/31/22 and represents a 59% reduction in vacancies. Of the 13 positions vacant at the close of CY 2023, two have been filled, an offer is outstanding as to another and the remainder are in active recruitment, awaiting reclassification, or subject to Governor approval.

**In its analysis, DLS recommends that MIA comment on recent efforts to improve hiring and retention and discuss which strategies have been most effective in reducing agencywide vacancies.**

The MIA appreciates the opportunity to provide this information. Effective strategies that the MIA has deployed over the last calendar year to reduce agency wide vacancies included:

#### **Retention Strategies**

- Enforcing Non-Competitive Promotions with supervisors as staff become eligible.
- Encouraging and assisting hiring managers to evaluate and update current employees so that staff are properly and accurately reclassified.

- Converting temporary and contractual positions to full time PINS. While no temporary positions were converted last year, a contractual investigatory position in P&C was converted to a regular PIN position.

### Recruitment Strategies

- Hiring managers are encouraged to review vacant MS22's and update them to reflect the responsibilities and skills sets now needed to do the job going forward.
- Hiring managers and HR are encouraged to evaluate grade/step levels to more accurately align with skills and to align compensation for highly competitive professional positions with other jurisdictions.
- Continuing to utilize several internet and Social Media (such as LinkedIn, Facebook, Twitter) platforms, as well as industry specific sites such as the Association of Compliance Professionals, the Society of Financial Examiners, as well as the Society of Actuaries to advertise vacant positions at the Agency.
- HR staff have attended a number of recruitment events throughout the year to source qualified applicants. These events included:
  - Maryland National Guard Spring Job Fair at the Fifth Regiment Armory Baltimore March 2023,
  - University of Baltimore Business Fair - Baltimore, – September 2023.
  - The National Association of Insurance Commissioners (NAIC) Conference at the Gamma Iota Sigma Conference – Baltimore 2023
  - State of Maryland Job Fair – Fifth Regiment Armory, Baltimore 2023

### MIA Property and Casualty Complaints

As DLS references in its analysis, the MIA's P&C Consumer Complaints Unit (PCCCU) investigates administrative complaints submitted by policyholders and claimants to determine whether the concerns raised in the administrative complaint violate the insurance regulatory laws. We refer to these as "consumer complaints." The MIA's objective is to resolve 90% of the consumer complaints received by PCCCU within 90 days.

**In its analysis, DLS recommends that the MIA explain the fiscal 2022 to 2023 increase in the number of complaints received and the large decrease in the share of complaints with timely resolutions. MIA should also discuss efforts it is taking to improve the timeliness of complaint processing to reach the goal of 90% of complaints resolved within 90 days.**

### Increases in complaint volume in FY23

Consumer complaint volume did increase in FY2023. This increase was driven primarily by an increase in the number of consumer complaints filed in response to premium increases in private passenger motor vehicle insurance (PPA) and in homeowners (HO) insurance. This increase in the volume of complaints correlates to the increase in PPA and HO insurance rates. As more consumers receive notices of premium increases, more consumers will question those increases and ask the MIA to review the increase by submitting a complaint to PCCCU.

### Decrease in the Closure Rates.

Between FY18 and FY22 the percentage of complaints resolved within 90 days fluctuated between 74% and 86%. In FY23, the closure rate within 90 days fell to 48%. That reduction is a reflection of the increase in the number of complaints and the insufficiency of PINS to support the consumer complaints unit.

In order to address this, five additional PINS are budgeted in the FY 25 Governor's Allowance for the P&C Division, of which three are targeted for PCCCU specifically to improve cycle times. These PINS have been budgeted for the MIA for FY25. In addition, in October 2023, the P&C Division requested to become part of the ITS project in order to take advantage of integrated databases, document management systems, AI, and automated processes to allow investigators to be more efficient, collaborative, and productive.

### **MIA Insurance Fraud Investigations**

As noted by DLS in its analysis, the MIA's Fraud Division is responsible for investigating complaints relating to alleged insurance fraud committed by insurance companies, insurance producers, or consumers. The division also operates a toll-free insurance hotline and, in cooperation with the Office of the Attorney General and the Department of State Police, conducts public outreach and awareness programs on the cost of insurance fraud.

**In its analysis, DLS recommends that the MIA describe the referral process and provide reasons for the overall decline in volume of referrals, referrals closed within 180 days, and referrals for criminal prosecution and charging.**

### Referral Process

Insurance fraud referrals are typically received from regulated insurers. The burden of proof for an insurer to make a referral, is a "good faith belief" that fraud has occurred, a standard far below the necessary burden of proof required to successfully prosecute cases, either through a civil investigation, which requires clear and convincing evidence or a criminal investigation, which requires proof beyond a reasonable doubt. Therefore, each referral is subjected to a preliminary review and analysis, to determine its viability to secure successful prosecution, subsequent to additional investigation by the Fraud and Enforcement Division, Civil or Criminal Investigation Units.

### Referrals closed within 180 days

The MIA does not believe completing a fraud investigation within a 180 day is an appropriate measure of success. The Fraud and Enforcement Unit of the MIA is currently developing a "triage" system that categorizes cases accepted for fraud investigation by their complexity and a reasonable time for investigation.

Assuming the adequacy of resources, simple fraud investigations can be completed with 180 days. However, complex fraud cases involving, for example, staged motor vehicle accidents or fraudulent medical claims, often take much longer to investigate and to develop evidence sufficient to charge. A thorough investigation can be time consuming. Oftentimes, records and evidence, which are the subject of a subpoena are required to develop a sound case. Obtaining such evidence

from outside sources, such as banks and retail establishments may take weeks for the source to collect and deliver the information. In addition, investigations require, among other things, witness interviews, area canvases, and possibly grand jury testimony.

In recent years the Fraud and Enforcement Division has focused its investigations on more complex referrals wherein there is substantial loss to insurers or consumers. Complex investigations are often prolonged, but the results can be a significant deterrent to insurance fraudsters, thereby achieving the deterrence that is a key objective of the MIA.

When a case is referred for criminal prosecution, the investigation has been completed. The division then refers the investigation to prosecutors within one of Maryland's 24 jurisdictions, or the Office of the Attorney General. We are then at the mercy of the assigned prosecutor to file charges. This process can be particularly time consuming.

The Fraud and Enforcement Division continues to work with Federal law enforcement on several complex insurance fraud referral.

#### Referrals Investigated and charged

The MIA addressed a factual error contained within the original analysis, which inaccurately referenced the number of opened referral investigated and charged criminally/or civilly within the fiscal year. It is the Agency's understanding that this has been correctly to show that there were actually 53 cases charged in FY 23, or 32%, demonstrating a 1% increase from FY22.

#### Professional Development within MIA's Fraud Division

Following the pandemic, there was only one investigator assigned to the Civil Fraud Unit. Two new investigators were hired in the third quarter of 2022 and underwent a period of job specific training. In the last year, two investigators earned the Certified Fraud Examiners ("CFE") designation. Three other investigators are currently enrolled in the program. Several other investigators earned their designation as Fraud Claims Law specialist ("FCLS"). Both of these programs take time to compete, but better equip investigators with additional knowledge, to better serve Maryland citizens.

The MIA would like to thank DLS for its thoughtful budget analysis, and express our appreciation for the opportunity to provide this information to the Committee. We are happy to answer any further questions the Committee may have.