I. Executive Summary:

NAIC senior management is requesting four new full-time employees (FTEs) to address urgent operational needs. The first requested FTE is for a new actuarial resource to begin providing needed assistance regarding the implementation of Principle-Based Reserving (PBR) in early 2022. The other three requested FTEs would convert existing independent contractor resources to FTEs in high-need areas before their respective contracts expire. Specifically, these resources are two customer service support positions for the NAIC Service Desk and a talent acquisition specialist to recruit and retain staff positions. All three of these positions are currently filled by independent contractors and would be converted in November 2021. More detailed information is provided below.

PBR Life Actuarial Analyst
Data-oriented projects continue to be a focus of the NAIC strategic plan and will need specialized attention to bring to fruition. One such project is the collection of annual mortality data as part of the Principle-Based Reserving project. The NAIC’s Valuation Manual designates the NAIC as the Experience Reporting Agent responsible for collecting and analyzing company experience data annually and providing reports for regulators and the Society of Actuaries (SOA), with 2021 being the first year of data collection. NAIC staff must provide feedback on data exceptions to companies within 30 days of submission, expected to occur annually by Sept. 30. Final corrections from companies are due by the end of the year, with multiple submissions allowed as needed. NAIC actuarial staff will then determine which data to accept or omit and create an aggregated
This project requires a major time commitment from all actuarial staff and additional FRS staff from September through January each year. In other months, approximately half the actuarial staff will be devoted to ongoing reporting to SOA and regulators; development work, such as assisting in drafting and implementing Valuation Manual amendments; and training for staff, regulators, and insurance company participants. The work with the SOA is expected to be significant since the SOA will need assistance with questions and further analysis of the data. Therefore, the SOA has recommended the NAIC bring an analytical resource in-house to help support this type of work as industry mortality tables are developed.

In the initial data collection year, 115 companies are expected to submit two years of data, both 2018 and 2019, due to the delay of 2018 data collection due to COVID-19. To help manage the high workload, NAIC resources have been assigned non-actuarial tasks to assist in providing feedback quickly to companies, such as reviewing control totals and reconciliations. However, the business need is for actuarial expertise to complete the reviews. In 2022, the same companies are expected to submit data; however, the pool may be expanded, depending on the number of exemption requests received in 2021, and whether the amount of acceptable data achieves the VM-51 target of 85% of industry claims. It is also anticipated that regulators may ask for support of the collection of long-term care (LTC) morbidity data.

Given the workload and the need to build internal business knowledge in these key areas as soon as possible, a full-time resource is being requested to fulfill new job duties around data calls, data organization, data analysis, and data reporting. These responsibilities will require strong data processing skills along with life actuarial experience.

Customer Service Support:
The NAIC receives an average of 10,800 inquiries each month through its Service Desk technical support line. In early 2018, it was recognized the NAIC Service Desk technical support team was falling short in responding to requests for assistance from consumer and industry stakeholders. To address these concerns, the NAIC instituted a pilot program designed to better handle stakeholder inquiries and/or requests for assistance. The new team began categorization efforts to track the types of inquiries and began working with various internal departments to ensure inquiries received appropriate responses. Over time, a repository of knowledge has been built up. Today nearly 93% of consumer and industry inquiries are resolved on first contact.

This program has had a significant positive impact by reducing industry hold times by 50% and consumer hold times by 88%. Additionally, it has provided valuable business intelligence to internal divisions for input into their project work. Over the course of the pilot program, the consumer support team received over 22,000 inquiries and nearly 85% were resolved on first contact over the phone by NAIC pilot program staff. This means fewer calls have ended up going to state insurance departments. The regulatory community is then able to reduce its involvement in consumer phone support, allowing them to focus on higher value activities such as resolving confirmed complaints, investigating fraud, and processing enforcement activities.

Two independent contractor resources initially brought on board as part of the pilot program have proven invaluable. Additionally, these resources have been trained to provide additional support to the Application Service Desk with password resets and account creations for certain NAIC applications. It would be challenging to replace the experience and institutional knowledge
possessed by these two resources in a timely manner. All stakeholders would continue to benefit by bringing the independent contractors on board as full-time employees.

Talent Acquisition Specialist:
The Talent Management team at the NAIC has developed a framework for achieving and sustaining excellence in people practices in recruitment and talent retention. This framework supports the team’s efforts to deliver a best-in-class employee experience; leverage diversity and inclusion of people, thought, and personality throughout the organization; and support culture transformation. The team has a wide range of goals and projects ranging from engagement surveys – in which the NAIC has participated over the past three years – to compensation planning.

The goal of the team is to hire and onboard highly qualified people, in the shortest amount of time, and within budget. At the same time, the team seeks to establish and nurture diverse pipelines in the communities in which the NAIC has offices. Overall, the team seeks to ensure candidates’ experience translate into a desire for employment with the NAIC.

Workload in this arena over the past two years has justified the need for an independent contractor to augment hiring and onboarding of new staff team members. Based on turnover during this period, the NAIC would not have been able to fill its open positions at the level it has without the independent contractor, whose contract expires this fall. Converting this resource to a full-time staff member would save the NAIC (a) significant time in trying to identify, bring on board, and train a new talent acquisition specialist (recruiter); and (b) money in the long run due to payment of fees/costs to the independent contractor’s consulting agency. It would bring a knowledgeable and skilled resource to the NAIC that has already been trained and acclimated to the NAIC workplace and is performing at a high level.

The NAIC is starting to see an increase in turnover, which was expected due to market conditions and the impact of the pandemic. The talent pool is also very competitive right now and requires the NAIC to be nimble in its hiring practices. In order for the organization to meet the evolving needs of its members and support key member initiatives, it is imperative that open positions be backfilled in a timely manner to avoid any delays / degradation in member service.

II. Key Deliverables:

The PBR Life Actuarial Analyst will be hired as soon as possible in 2021, although it is recognized actuarial resources are sometimes more challenging to hire. The hiring process is expected to begin following approval of the fiscal, with the position on board ideally in December 2021.

To ensure continuity of operations, the independent contractor positions are expected to convert to full-time positions immediately following approval of this fiscal or no later than November 2021.

III. Financial and Organizational Impact:

The financial impact of this project is summarized below within two categories of expenses: salary-related expenses and independent contractor expenses.
Salaries and associated expenses
Salary/Benefit costs are expected to be $50,385 in 2021 due to the timing of bringing on the positions. Expenses of $376,118 are expected to be incurred in 2022.

Cost savings
The transition of three of these positions from independent contractor status will result in a savings of $52,200 in 2021, thereby offsetting the salary expense. Savings in 2022 are expected to be $258,609.

See Attachment I for further financial details.

There will be an operational impact to bringing on board these four positions. Talent Management and Human Resources will be needed to help Financial Regulatory Services (FRS) find and hire the best candidate for the PBR Life Actuarial Analyst position. Finance will need to establish the positions in the payroll system.

IV. Risk Management Plan:

Until the positions have been hired, the various teams will continue to utilize independent contractor / consulting resources allocated to these positions.

V. Security Impact:

The Talent Acquisition Specialist position will need to maintain confidentiality of all NAIC employment policies and procedures. The Life PBR Actuarial Analyst by nature of the work will need to utilize confidential information in the course of performing the position’s duties. As such, the positions will be subject to the NAIC’s confidentiality requirements. Otherwise, no security system risks are incurred with this request.
## 2021 Budget

### 2021 NAIC Staffing Requests

**Project Cost Analysis**

Anticipated Start Date: November 2021  
Anticipated Completion Date: Ongoing

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