



## Fiscal Impact Statement

<b>DATE SUBMITTED:</b>	<b>JANUARY 25, 2021</b>
<b>NAME OF INITIATIVE:</b>	<b>SBS STATE IMPLEMENTATIONS 2021</b>
<b>REGULATOR/BUSINESS SPONSOR:</b>	<b>INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE</b>
<b>NAIC STAFF SUPPORT:</b>	<b>SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER</b>
<b>REQUESTED INITIATIVE START DATE:</b>	<b>APRIL 1, 2021</b>
<b>ANTICIPATED COMPLETION DATE:</b>	<b>DECEMBER 31, 2021</b>
<b>TOTAL REVENUE EXPECTED (2021):</b>	<b>\$23,871</b>
<b>(2022):</b>	<b>\$435,461</b>
<b>TOTAL EXPENSE REQUESTED (2021):</b>	<b>\$1,189,956</b>
<b>TOTAL CAPITAL REQUESTED (2021):</b>	<b>\$0</b>

### I. Executive Summary:

One of the pillars of the NAIC’s *State Ahead* strategic plan is to provide superior member support, with the goal of providing optimal services to state insurance departments. State Based Systems (SBS) is a key component of that goal, providing a robust technology solution to help participating members optimize regulatory processes and lower their operational costs. Use of SBS, an NAIC-hosted back-office system, allows participating states to gain efficiencies, easily comply with membership initiatives, and eliminate or reduce state hardware and software costs.

The NAIC recently completed its multi-year initiative in December 2020 to transition the 26 licensed states from the SBS legacy system to the new updated platform, known as SOLAR. Interest in utilizing SBS has remained strong during the transition period, resulting in signed agreements with four new states. These licenses include requirements to either begin or complete implementations in 2021. To meet this demand would require 35,000 staff hours, which eclipses the current staffing capacity available.

To that end, this fiscal requests funding for consulting resources to complete the implementations of two states in 2021 and begin the implementation work required for two others.

The primary benefit of undertaking these state implementations is that it will allow the four licensed states to improve their state regulatory processes and efficiency, through their usage of an improved system offering better functionality and usability.

These implementations will result in cost savings for these four states in the following areas:

- System Development and Management: Labor (development, database administration, infrastructure, business analysis, and testers), hardware, software, etc.
- Regulatory Management: The partnership of SBS online tools (Lookup, License Manager and SBS for Organizations) and NIPR Applications and Contact Change Request (CCR) results in a streamlined, efficient, self-service regulatory process.
- System Integration: Integrating all of the insurance department's business into a single system along with I-Site, SERFF, and OPT<sup>INS</sup> benefits regulator users by streamlining the steps they follow to access the information they need to do their jobs.
- Email Correspondence: SBS offers an integrated toolset supporting the automatic distribution, via email, of department bulletins, license renewal notices, license expiration notices, etc.

It will also allow the states to improve their ability to focus on key NAIC initiatives, such as migration of state data to the Cloud, automating processes, and ensuring safe and secure systems.

Demand from states for implementation on the SBS platform will continue as there are several additional states expressing interest in SBS at this time. While optimization of implementation methodology will be leveraged for future implementations, resource levels will be evaluated throughout 2021 and if needed, a separate fiscal for the 2022 budget cycle may be submitted.

## **II. Key Deliverables:**

The key deliverables to measure the success of this initiative include:

- Complete all needed functionality for the first state's implementation on SBS platform by August 2021.
- Complete all needed functionality for the second state's implementation on SBS platform by November 2021.
- Begin the third and fourth states' implementation tasks to allow for an early 2022 go-live date on the SBS platform.

## **III. Financial and Organizational Impact:**

The state implementations require the services of several consultants, including one marketing consultant, one project manager, one database analyst, two business analysts, two data analysts, and five software quality analysts. These consultants will be engaged from March through December 2021. One performance engineer will also be required, starting July 2021 through December 2021. While consulting expense for all 2021 resources will total \$1,573,752, the NAIC already has budgeted funds for consulting for SBS, which will be leveraged and will reduce the request in this fiscal by \$426,276 for a total request of additional funds of \$1,147,476 for 2021. In addition, NAIC staff will travel to each of the two states for user acceptance testing and training as well as implementation support, which will require \$42,480. The implementation of SBS in these four states is expected to generate total revenue of

\$1,014,569 through 2023 with revenues of more than \$555,000 in subsequent years. See **Attachment I** for further details.

#### **IV. Risk Management Plan:**

With the state implementations contemplated with this fiscal, several of the current contracts for these states have expiration dates that are fixed with third-party vendors, thus creating a fixed date to go live with SBS. To ensure the implementations move forward as needed to meet these contractual deadlines, consistent communication will take place with states, imparting a sense of urgency around contracting and data-related discussions with third parties. Clear expectations will be set regarding available functionality with concise post go-live planning.

It is important to note that delays in these implementations will require the states to renew their existing contracts with other vendors, thus delaying the benefits of utilizing SBS.

#### **V. Security Impact:**

The new SOLAR platform has a greater level of security and allows the states being implemented the ability to take advantage of security capabilities that have been recently implemented in NAIC systems that were not available in the Legacy platform.

## 2021 Budget

SBS State Implementations 2021  
Project Cost AnalysisAnticipated Start Date: April 2021  
Anticipated Completion Date: December 2021

Description	2021 Total	2022 Budget	2023 Budget
<b>Revenues:</b>			
Continuing Education Credits Revenue	\$23,871	\$435,461	\$555,237
<b>Total Revenues</b>	<b>23,871</b>	<b>435,461</b>	<b>555,237</b>
<b>Expenses:</b>			
Consulting for State Implementations	1,147,476	0	0
Travel expenses for implementations	42,480	0	0
<b>Total Expenses</b>	<b>1,189,956</b>	<b>0</b>	<b>0</b>
<b>Revenues Over (Under) Expenses</b>	<b>(\$1,166,085)</b>	<b>\$435,461</b>	<b>\$555,237</b>