Fiscal Impact Statement

DATE SUBMITTED:	**MARCH 1, 2021**
NAME OF INITIATIVE:	**SERFF MODERNIZATION – MOBILIZATION AND PILOT PHASE**
REGULATOR/BUSINESS SPONSOR:	**INTERNAL ADMINISTRATION (EX1) SUBCOMMITTEE**
NAIC STAFF SUPPORT:	**SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER**
REQUESTED INITIATIVE START DATE:	**MAY 1, 2021**
ANTICIPATED COMPLETION DATE:	**DECEMBER 31, 2021**
TOTAL REVENUE EXPECTED (2021):	**$0**
(2022):	**$0**
TOTAL EXPENSE REQUESTED (2021):	**$1,200,000**
(2022):	**$0**
TOTAL CAPITAL REQUESTED (2021):	**$0**
(2022):	**$0**

I.   Executive Summary:

This Fiscal Impact Statement requests funding for the initial phase of a multi-phased initiative to modernize the NAIC's platform for rate and form filing, a system that has experienced tremendous growth since it was first launched through collaborative efforts by regulators and industry more than 21 years ago. The System for Electronic Rate and Form Filing (SERFF) was designed to address the impact insurance regulation has on insurers' ability to offer new products in an expedient fashion. Today 53 jurisdictions accept filings via SERFF, 35 of which mandate the use of SERFF. The system processed nearly 580,000 filings in 2020, a volume of activity in line with the last several years.

The SERFF product suite provides functionality for insurers and regulators seeking an efficient process for product filing and review. The system facilitates communication, management, analysis, and electronic storage of documents and supporting information. It also provides up-to-date filing requirements, while it streamlines and accelerates the rate and form filing process for states and companies. SERFF identifies state filing submission requirements as promulgated by the state, which ensures greater accuracy and completeness throughout the filing process. SERFF workflow features assist states in the review process; therefore, filings are typically reviewed more quickly and with fewer issues for companies to resolve, thereby improving speed to market.

In addition to rate and form filings, SERFF supports plan submissions related to the Affordable Care Act (ACA) and is the filing vehicle for all submissions to the Interstate Insurance Product Regulation Commission.

SERFF has not undergone a redesign since 2006 but was subsequently expanded nearly a decade ago in response to the ACA. Since the development of the current version of the core platform in 2006, there have been numerous new developments in document management, document workflow, and text processing using artificial intelligence. In the last several years, several pilots conducted internally have demonstrated new technology with the potential to streamline regulatory processes. During the first half of 2020, at the membership's request and approval, an outside consultant was engaged to assess the SERFF technical platform, governance processes, and business functionality. The third-party consulting firm received input from more than 100 state regulators, insurance company staff, and representatives from other key stakeholders.

The assessment brought to light several areas in which to focus in modernizing the SERFF platform.
- Operational efficiency and regulatory consistency, which would alleviate resource constraints and improve efficacy and speed to market;
- Product complexity and innovation to address changing consumer needs; and
- Technological advances in recent years that make it possible to provide better system integration as well as improved workflow, data extraction, reporting, and analytics.

The modernization initiative will allow the NAIC to replace SERFF using an iterative approach that will deliver new and replacement capabilities to stakeholders and provide value to the membership as quickly as possible. It will also represent a key step toward the NAIC's goal of moving its applications to the Cloud, thereby taking advantage of the benefits available via the NAIC's partnership with Amazon Web Services (AWS).

The full modernization project has four themes:
- Redesign the presentation portal
- Rearchitect the application platform
- Transform the data and analytics landscape
- Enhance integration and connectivity

To ensure the success of the initiative, the initial phase of the project was set forth to identify the specific foundational technology needed to complete the overall project, demonstrate how the technology can meet key use cases, and deliver a comprehensive plan and roadmap for the full modernization. This fiscal's funding request for $1.2 million includes consulting fees for the vendor based on the selected bid provided in response to a Request for Proposal (RFP) issued in late 2020, consulting fees to backfill certain key NAIC staff who need to be involved in the project, and estimated licensing costs for the tools selected. These funds will cover the initial pilot and mobilization phase. The RFP received more than a dozen proposals, which were reviewed and narrowed down by a committee of nine members.

II. Key Deliverables:

Pilot use cases were developed for the RFP, which the vendor will use to demonstrate key functionality capabilities for the new platform. The use cases were designed for the selected vendor to showcase how the future architecture will deliver desired functionality, particularly related to tools like content management, business process management, and robotic process

automation that may be purchased and integrated with the new SERFF platform. The selected vendor will be required to demonstrate the capability of its recommended technologies to address the use cases.

The pilot is expected to demonstrate the ability of the system to provide the following:
- Self-service customizations by system users
- Upfront validations while preparing and submitting filings
- In-depth filing review supported by document analysis and business rules
- Tools to support communication and collaboration across users
- Integration with other NAIC products and business partner platforms
- Efficient and visible workload management
- Robust search capabilities and reporting
- Enhanced platform architecture via AWS cloud-based tools and services
- Content management and decision-making capability

The success of the initial phase is foundational to the success of the full modernization. Success of the mobilization and pilot phase will be measured by the ability of the selected vendor to provide the following:
- Future-state platform architecture: the vendor will provide a detailed diagram depicting purchased and open-source components to be integrated into the platform. Supporting documents will show all third-party dependencies with an impact to the project as well as the expenses, resources, and maintenance operations needed for ongoing support of selected tools.
- Proof of concept demonstration: the vendor will demonstrate a pilot application to selected stakeholders, outlining how new platform will accomplish the use cases for the new system.
- Comprehensive plan and roadmap for full project implementation: the vendor will give guidance as to the necessary resources to complete the initiative by defining the future project phases and a path to transition from the current platform to the modernized one.

III.   Financial and Organizational Impact:

To complete the outline of the future-state platform, proof-of-concept demonstration, and delivery approach and blueprint for the full project, funding is requested for professional services to contract with the selected vendor for $850,000 in 2021. The consulting fee includes all expenses associated with development of the key deliverables. It does not include travel expenses, which are not expected to be incurred.

The costs associated with setting up the proof-of-concept environments and procurement of any necessary software are estimated to be $150,000 during the pilot and mobilization phase. Consulting needed to backfill key NAIC resources during the project will be $200,000 (see **Attachment I**).

In addition to the funding requested, this project will require a total of 2,700 NAIC IT hours to be allocated to the Mobilization and Pilot Phase in 2021:
- Enterprise/Solutions Architect (700 hours)
- Business Owner (700 hours)
- Business Analyst (700 hours)
- Project Owner (515 hours)
- Technology Sponsor (85 hours)

This phase of the project does not contemplate additional revenue. However, a fiscal for the next stage of the project will encompass a modified revenue structure commensurate with the value of the system and services provided.

IV.   Risk Management Plan:

There are several potential risks associated with this project, with the primary one being that the vendor is unable to demonstrate that the tools and technologies advocated fully meet the business needs or will prove too unwieldy or costly to implement. The goal of having the pilot phase as an initial test run for the full project will help to mitigate the risk. Trying out the solution in a test phase will allow the team to fully vet the proposed solution before committing to a full implementation approach and make any necessary adjustments prior to moving forward to the next phases.

The selected vendor provided a fixed bid based on the use cases within the RFP and required deliverables. Scope containment will be important to keep expenses in line.

V.   Security Impact:

NAIC will host the updated SERFF platform in the AWS Cloud. As such, the proof-of-concept demonstration will also be in the Cloud; however, the selected vendor is expected to comply with all NAIC security policies when setting up the infrastructure related to this project.

2021 Budget

SERFF Modernization – Mobilization and Pilot Phase
Project Cost Analysis

Anticipated Start Date: May 2021
Anticipated Completion Date: December 2021

Description	2021 Total	2022 Budget	2023 Budget
Revenues:			
Total Revenues	$0	$0	$0
Expenses:			
Professional Services-consulting	1,050,000	0	0
Computer Software	150,000	0	0
Total Expenses	**1,200,000**	**0**	**0**
Revenues Over (Under) Expenses	**($1,200,000)**	**$0**	**$0**