



## Fiscal Impact Statement

<b>DATE SUBMITTED:</b>	<b>JULY 1, 2019</b>
<b>NAME OF INITIATIVE:</b>	<b>SERFF DATA HOSTING</b>
<b>REGULATOR/BUSINESS SPONSOR:</b>	<b>SERFF ADVISORY BOARD</b>
<b>NAIC STAFF SUPPORT:</b>	<b>JIM WOODY, CHIEF FINANCIAL OFFICER SCOTT MORRIS, CHIEF TECHNOLOGY OFFICER</b>
<b>REQUESTED INITIATIVE START DATE:</b>	<b>JULY 1, 2019</b>
<b>ANTICIPATED COMPLETION DATE:</b>	<b>NOVEMBER 1, 2019</b>
<b>TOTAL REVENUE EXPECTED (2019):</b>	<b>\$160,792</b>
<b>TOTAL REVENUE EXPECTED (2020):</b>	<b>\$964,750</b>
<b>TOTAL EXPENSE REQUESTED (2019):</b>	<b>\$0</b>
<b>TOTAL EXPENSE REQUESTED (2020):</b>	<b>\$0</b>
<b>TOTAL CAPITAL REQUESTED (2019):</b>	<b>\$0</b>
<b>TOTAL CAPITAL REQUESTED (2020):</b>	<b>\$0</b>

### I. Executive Summary:

The NAIC's *State Ahead* three-year strategic plan calls for the migration of key systems to the Cloud in order to modernize the organization's architecture of its systems and maximize product features, performance, and reliability. To accommodate this move, internal staff supporting the System for Electronic Rates and Forms Filing (SERFF) began evaluating the scope of architectural and design modifications. One key area of attention is a replication process developed by the NAIC as a service for two licensed third-party vendors that electronically store insurance company rate and form filings made through SERFF. The NAIC currently provides this data replication service for both vendors at no cost to the vendors. While the replication functionality could be moved to the Cloud with its existing platform and architecture, this would require significant cost. Modifying the architecture to use a different platform is possible, but not without significant technical effort.

In November 2018, following a review of various options, the SERFF Advisory Board recommended the NAIC solicit feedback from industry users about the option of having the NAIC host their data. Nearly 75% of the companies using one of the two vendors attended at least one of three conference calls conducted in December 2018. During these calls no issues were raised about the NAIC storing the rate and form filing data, and industry was open to the concept so long as applicable fees are reasonable. This solution would also allow NAIC staff to simplify

SERFF's architecture by eliminating the internal Data Hosting Replication Service and the Data Host Client, saving staff hours in development, testing, and support. Based on its analysis NAIC management believes this proposal offers the most cost-effective solution for the organization. As a result, at its meeting during the NAIC Spring 2019 National Meeting the SERFF Advisory Board recommended this proposal be moved to the Executive (EX) Committee for approval.

This fiscal requests support from the NAIC membership to implement the approved proposal and to charge a modest annual fee to SERFF customers who opt to license the data hosting service.

## **II. Key Deliverables:**

The NAIC will need to make minor changes to SERFF to accommodate this proposal. The State Data Retention feature will need to be modified to prevent physical deletion of filings being stored by the NAIC for company customers, while at the same time providing virtual deletion of filings marked for deletion per state record retention requirements. Additionally, the SERFF Export Tool and Advanced Search will need to be made available to NAIC-hosted company users.

The licenses with the two external vendors for data hosting will expire in October 2019. The NAIC will roll out the hosting services by November 2019 to facilitate a smooth transition. A license agreement with the NAIC and prepayment of the first-year fee will be required before the services will be available to the customer.

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

The fiscal includes revenues of \$160,792 in 2019 and \$964,750 in 2020. This proposal allows existing customers of the data hosting service to continue to pay the same amount for the first year that they paid in 2018. Pricing for new customers will be comparable to what existing customers pay. (See **Attachment I** for the timing of the revenue to be earned in 2019 and 2020.) The pricing structure will be evaluated in mid-2020 as part of the process of developing the 2021 budget. The goal will be to ensure NAIC support costs are covered while managing impact on customers.

Modifications to SERFF are minimal and will take less than 250 IT resource hours to implement. Ongoing support and maintenance will be handled through operational work. Various business teams will be impacted due to contract and invoice administration.

The proposed solution will benefit existing customers through the continuity of data hosting/storage service. Approximately 270 SERFF industry users currently contract with one of the two vendors to store all of their rate and form filings. While this group is only approximately 15% of the SERFF industry customer base, many of the filers are larger companies making up nearly 50% of SERFF filing transactions. Many insurers are reluctant to part with copies of their filings, regardless of the date of the filing. Retention allows them to be able to access or produce a filing if needed. Having access to hosting services allows companies to have a "one-stop shop" – a single solution where they can submit new filings and retrieve previous filings from the same location: SERFF.

The primary benefit to the NAIC is a significant reduction in NAIC staff workload. Staff will no longer need to support the Replication Service, which cannot be easily migrated to the Cloud. The NAIC spends approximately 1,500 hours annually in support of the two vendors with no financial compensation.

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

While the work is minimal, there are several issues to be resolved. First, the NAIC does not currently store paper filings that have been submitted outside of SERFF. However, these are currently being tracked within the SERFF system at the vendor sites. The NAIC plans to work with the vendors and industry users to the degree possible in order to retrieve such paper filings or to educate industry about the tools available for them to use to upload these filings into SERFF.

For industry customers licensing SERFF Data Hosting, the NAIC will not physically delete filings submitted by industry customers. Should a state insurance department use the new SERFF Data Retention platform to mark a filing for removal, when the retention period is met the NAIC would remove the state insurance department's access to the filing rather than deleting the filing from the system. This would preserve the filing for the hosted industry customer while removing it from the state insurance department's views. Essentially, the filing would be virtually deleted rather than physically deleted, which is a common practice among major technology providers. From the state insurance department's perspective, the filing would no longer exist. However, it is important to note for those filings virtually deleted, public access to the filing via SERFF and SERFF Filing Access would be eliminated; only the hosted company would retain access. A communication plan will be implemented to inform all current industry users about transition details.

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

The project does not introduce any personally identifiable information or other confidential data. No security impact has been identified.

2019 Budget  
 Fiscal Impact Statement Project Cost Analysis

Project/Initiative: SERFF Data Hosting

Description	2019 Budget Spread												2019 Total	2020 Budget	2021 Budget		
	January	February	March	April	May	June	July	August	September	October	November	December					
<b>Revenues:</b>																	
SERFF Data Hosting License Fees													80,396	80,396	\$160,792	964,750	1,061,225
<b>Total Revenues</b>	-	-	-	-	-	-	-	-	-	-	-	-	80,396	80,396	160,792	964,750	1,061,225
<b>Expenses:</b>															\$0		
<b>Total Expenses</b>	0	0	0	0	0	0	0	0	0	0	0	0	\$0	\$0	0	\$0	\$0
<b>Revenues Over (Under) Expenses</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$80,396	\$80,396	\$160,792	\$964,750	\$1,061,225