

**Department of Transformation and Shared Services**

Governor Sarah Huckabee Sanders

Secretary Joseph Wood

Director Kay Barnhill

July 19, 2023

The Honorable Breanne Davis, Co-Chairperson
 The Honorable Mark Berry, Co-Chairperson
 Uniform Personnel Classification and
 Compensation Plan Subcommittee
 Arkansas Legislative Council
 State Capitol Building, Room 315
 Little Rock, Arkansas 72201

Dear Senator Davis and Representative Berry:

The Office of Personnel Management (OPM) submits a request from the Arkansas Department of Commerce (ACOM), Insurance Department for your review.

Arkansas Insurance Department (AID) is requesting three (3) pool positions from the OPM surrender pool established by Arkansas Code Annotated § 21-5-225 (a). The classifications requested and surrendered positions are listed below.

CLASSIFICATIONS REQUESTED

<u>CLASS CODE</u>	<u>TITLE</u>	<u>GRADE</u>	<u>SALARY RANGE</u>
N140N	ACOM Insurance Assistant Deputy Commissioner Finance	GS14	\$86,887 – \$125,986
N140N	ACOM Insurance Assistant Deputy Commissioner Finance	GS14	\$86,887 – \$125,986
G259C	ACOM Insurance Program Manager	GS10	\$56,039 – \$81,257

POSITIONS SURRENDERED

<u>POSITION NUMBER</u>	<u>TITLE</u>	<u>CLASS CODE</u>	<u>GRADE</u>	<u>SALARY RANGE</u>	<u>LAST DATE VACATED</u>
22088117	Mail Services Assistant	C084C	GS02	\$23,335 – \$33,836	09-26-2020
22088188	Fiscal Support Analyst	A091C	GS05	\$32,405 – \$46,987	02-29-2020
22088147	ACOM Finance Authority Spec	A080C	GS06	\$36,155 – \$52,425	01-19-2019

Office of Personnel Management

501 Woodlane Street, Suite 205 * Little Rock, AR 72201 * 501.682.1753

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JUSTIFICATION

The Arkansas Insurance Department's Risk Management Division currently administers six (6) insurance plans through three (3) treasury trust funds. Act 846 of the 94th General Assembly allows the Insurance Commissioner to regulate cybersecurity insurance. The agency is now responsible for administering the Arkansas Cyber Response Board and the Arkansas Self-Funded Cyber Response Program Trust Fund. This expansion requires the agency to work with municipalities, counties, and school districts concerning cybersecurity related coverages, claims, and procedures for reporting a cyber breach. It also requires the agency to analyze audit loss notices from Arkansas Legislative Audit for participating governmental entities to determine coverage eligibility under the Self-insured Fidelity Bond Program. These additional asset management responsibilities simply cannot be absorbed by existing personnel. Predominant responsibilities of the additional position authorized as G259C, ACOM Insurance Program Manager will include submitting premium schedules for participating governmental entities, completing participating governmental entities program enrollments, communicating with participating governmental entities concerning program highlights and requirements, assisting with the creation of a Risk Management Information System, tracking financial data associated with the program, as well as tracking budgetary requirements.

The Arkansas Insurance Department's Finance Division is regulated for solvency solely at the state level. The existing regulatory structure necessitates performing mandated financial solvency surveillance examinations and analysis procedures for licensed insurance entities. As a requirement of the National Association of Insurance Commissioners' accreditation standards, AID is periodically reviewed to ensure compliance with these accreditation standards. Therefore, the agency must maintain the appropriate personnel within the appropriate classifications in order to meet these solvency standards and accreditation standards. Expansion of Risk Based Provider Organizations, Pharmacy Benefit Managers, Captive Insurers, the Cyber Response Act, and other domestic insurance entities is decreasing the probability of meeting these statutory mandates. Predominant responsibilities of the additional positions authorized as N140N, ACOM Insurance Assistant Deputy Commissioner Finance will include assigning work, reviewing the work of supervisors and analysts, ensuring analytical work uncovers weaknesses of insurance companies, ensuring proposed actions will prove successful, researching accounting and investment practices, researching insurance laws, as well as proposing insurance laws and rules that would assist with consumer protection and economic promotion.

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RECOMMENDATION

The Office of Personnel Management (OPM) has reviewed this request from the Arkansas Department of Commerce (ACOM), Insurance Department and recommends the establishment of three (3) surrender pool positions authorized as the abovementioned classifications. The cost for these three (3) surrender pool positions is approximately \$282,669.99. The agency guarantees our office that it possesses sufficient funding to support this surrender pool position request.

Your consideration of this request is greatly appreciated.

Kay K. Bunnell *7/4/23*
STATE PERSONNEL DIRECTOR DATE

KB/jlh:1-3

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RECEIVED

JUN 29 2023

BY:

~~Sarah Huckabee Sanders~~
GOVERNOR

~~Walt McDermott~~
SECRETARY OF COMMERCE



June 27, 2023

Ms. Kay Barnhill, OPM Director
Office of Personnel Management
501 Woodlane Ave, Suite 205
Little Rock, AR 72201

Re: Request to utilize the OPM surrender pool to establish three (3) positions in exchange for surrendering three (3) positions/Arkansas Insurance Department/Finance Division

Dear Ms. Barnhill:

The Arkansas Insurance Department, a division within the Arkansas Department of Commerce, respectfully requests to utilize the OPM surrender pool to establish three (3) positions in exchange for surrendering three (3) positions. This request is being made due to solvency standards required by the NAIC for accreditation and the new Cyber Response. The agency requests to obtain the following:

New Position

- ACOM Insurance Assistant Deputy Commissioner Finance, GS14, N140N, (2)
- Insurance Program Manager, GS10, G259C, (1)

And surrender the following three (3) positions:

- Mail Services Specialist, GS02, C084C (1)
- Fiscal Support Analyst, GS05, A091C (1)
- ACOM Finance Authority Specialist, GS06, A080C (1)

Solvency Regulation Mandate

The ACOM Insurance Assistant Deputy Commissioner Finance are the positions needed for AID's Finance Division. The Financial Division of the Arkansas Insurance Department is, unlike banking and securities, is regulated for solvency solely at the state-level. The US state-based regulatory structure requires each jurisdiction to maintain sufficient personnel and resources to perform mandated financial solvency surveillance examination and analysis procedures for licensed insurance entities on a timely basis. Accordingly, each state insurance department must retain competent technical staff to conduct effective financial regulation in accordance with accreditation standards established by the National Association of Insurance Commissioners (NAIC).

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As a requirement of the accreditation program, the Department is periodically reviewed by an independent team of experts to determine that Arkansas is in full compliance with all accreditation standards. Requirements for accreditation are rigorous, and standards for re-accreditation are changing and more stringent each round.

During the previous NAIC accreditation reviews, Arkansas received some of the highest marks ever scored by a state insurance department. The Department has demonstrated a strong track record of meeting and exceeding national solvency standards. While Arkansas' financial regulation staff has proven to provide strong and effective regulation, it is critical to attract and retain competent staff to continue to meet accreditation standards.

Limited Qualified Candidates

Attracting qualified applicants with required technical expertise and professional designations is difficult due to numerous limiting factors. The Department may only fill vacancies with candidates who have attained the required education and or experience in this specialized field. Candidates may be required to relocate. Since certain designations are restricted to financial professionals in insurance regulation, the market for qualified candidates is limited and competitive. The Department also competes against other states and national insurance regulatory consulting firms for candidates. With the advent of both flexible and remote work schedules being offered, not only by external competitors but other Arkansas Departments, our pool of qualified candidates has decreased significantly. Over the past decade, the Department has experienced high turnover in staff positions, loss of staff to external contract firms and companies, while experiencing a continual increase in regulatory requirements in the insurance industry. The Department continues to meet these challenges with limited resources but is on the edge of being overloaded without sufficient staff to cover necessary services for accreditation.

Industry Expansion

Recent growth and developments information and licensure of Risk Based Provider Organizations, Pharmacy Benefit Managers, Captive insurers, The Cyber Response Act and other domestic insurance entities in Arkansas have placed increased demands on limited personnel resources, making it more challenging to meet statutory mandates for financial examinations and analysis. Obtaining and filling the listed positions is critical to meeting required regulatory deadlines and complying with NAIC accreditation standards.

The Insurance Program Manager is needed in AID's Risk Management Division to oversee the new Cyber Response Program. The Risk Management Division within the Arkansas Insurance Department was established by Act No. 272 of 1981, to provide insurance services for State of Arkansas offices, boards, commissions, agencies, departments, and public institutions of Higher Education, as well as Arkansas public school districts. The statutory mission of the Risk Management Division is to reduce the cost of insurance and establish standardized specifications of insurance coverage pertaining to property insurance, casualty insurance, and fidelity bond coverage for participating State Agency and Public School District Entities, in an efficient and cost-effective manner.

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Currently, the Risk Management Division administers six (6) insurance plans through three (3) Treasury Trust Funds. The Division provides an extensive variety of services at no additional cost to participating entities, including but not limited to, production underwriting and building appraisal services, building loss prevention and claim mitigation inspection report services, advanced driver training instruction, State of Arkansas Vehicle Safety Program, insurance advisory and consultation services, insurance requirement contract review assistance, data management of building and auto schedules, procurement renewal services, financial allocation and claim data management, and other general insurance advisory and assistance needs.

In April 2023, The Arkansas Insurance Department received notice the Risk Management Division will absorb the Arkansas Cyber Response Program, which consists of the Cyber Response Board and The Cyber Response Program Trust Fund.

The addition of both the Cyber Response Board and The Cyber Response Program Trust Fund, Risk Management will be working with all Municipalities, Counties and School Districts increasing the number of territories for Cybersecurity related coverages, claims, and procedures for reporting a Cyber breach. Staff will also be responsible for reviewing and analyzing audit loss notices from Arkansas Legislative Audit for Participating Governmental Entities to determine coverage eligibility under the Self-insured Fidelity Bond Program.

Risk Management fulfills our mission of reducing the cost of insurance because we provide our insurance underwriters with quality data. Our data is the benchmark for large volume accounts insured by our brokers. The additional asset management tasks combined with the statewide inclusion of the Self-Funded Cyber Response Program (SFCRP) will add multiple demands to the current workload of the division and cannot be absorbed by existing staff. The addition of the requested position will allow the Insurance Department and Risk Management Division to continue to provide effective and efficient services to the existing State Agency accounts as well as to the new accounts and programs.

Your consideration of this request is appreciated.

Sincerely,



Hugh McDonald
Secretary



**Department of Transformation and Shared Services
Office of Personnel Management
Request for Pool Position**

Business Area **Department Name / Agency Name** **Date**
0425 **Arkansas Insurance Department** **06/23/2023**

Position(s) to be Surrendered

Position/Item Number	Classification Title	Pay Grade	Class Code
2208-8117	Mail Services Specialist	GS02	C084C
2208-8188	Fiscal Support Analyst	GS05	A091C
2208-8147	ACOM Finance Authority Specialist	GS06	A080C

Classification(s) Requested

Classification Title	Pay Grade	Class Code
ACOM Insurance Assistant Deputy Commissioner Finance	GS14	N140N
ACOM Insurance Assistant Deputy Commissioner Finance	GS14	N140N
Insurance Program Manager	GS10	S259C

I hereby certify that:

- A. The position requested is critical to the operation of this Agency and a detailed justification for this request is attached. (Justification should be detailed and not less than one typed page in length.)
- B. Sufficient funds are available to fund this position at the requested grade.
- C. This is a full-time position that will not be used for any other purpose than that which is outlined in the attached narrative.
- D. The position to be surrendered is the highest grade position available and the loss of this position will not adversely affect the operation of this Agency.
- E. No current employee will be displaced by this action.

Dr. Tasha Pankey

HR Administrator's Signature

Department Secretary's Signature

06/23/2023

Date

Date