



STATE OF ARKANSAS
**Department of Finance
and Administration**

**OFFICE OF PERSONNEL MANAGEMENT
Administrator's Office**
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May 14, 2014

Senator Uvalde Lindsey, Co-Chairperson
Representative Andrea Lea, Co-Chairperson
Uniform Personnel Classification and Compensation
Plan Subcommittee
Arkansas Legislative Council
State Capitol Building, Room 315
Little Rock, Arkansas 72201

Dear Co-Chairs:

The Office of Personnel Management submits a request from the Arkansas Insurance Department for your review.

The Arkansas Insurance Department has requested three positions from the position pool established by ACA 21-5-225 (a) (1). The positions being surrendered along with the classifications requested are listed below:

<u>POSITIONS SURRENDERED</u>	<u>TITLE</u>	<u>CLASS CODE</u>	<u>GRADE</u>
22088201	Risk Consultant	G120C	C120
22082841	Administrative Specialist II	C073C	C109
22088157	Administrative Specialist II	C073C	C109

CLASSIFICATIONS REQUESTED

Information Systems Manager	D007C	C128
Insurance Senior Examiner	A042C	C122

JUSTIFICATION

Information Systems Manager:

The Arkansas Insurance Department's Risk Management Division (RMD) is responsible for providing insurance consultation and coverage protection for state assets. The division is also in charge of the Fidelity Bond Program that protects state, county, municipal, and school entities against employee theft. Other specialty insurance needs include communication towers, aircraft, fine art, and AETN Broadcasters liability coverage.

The Arkansas Insurance Department is currently using ACCESS databases designed by a division employee who is now retired. The databases are operating on 2003 technology. Efforts by the department's Information Technology Division (AID-ITD) to convert the databases to current

Senator Uvalde Lindsey, Co-Chairperson
Representative Andrea Lea, Co-Chairperson
May 14, 2014
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technology have not been successful. AID-ITD has been warning the Risk Management Division that Microsoft would be phasing out its support for the 2003 product and that changes would have to be made. AID-ITD does not have the personnel resources to devote to the enormous time required for this project.

Pricing in the insurance market is driven by data. Accurate dependable data generally results in lower rates. With the volume of business conducted by the RMD, an up or down change in the property rate of .01/\$100 of value results in a premium difference of \$1.3 million.

It is imperative that the RMD be allowed to surrender the Risk Consultant, G120C, grade C120, in return for an Information Systems Manager, grade C128, to meet RMD's needs and to accomplish its vast IT responsibilities.

Insurance Senior Examiner:

The Arkansas Insurance Department states market regulation has become increasingly an integral part of complying with national standards. In order to meet the technical standards of market regulation, it is essential that the department be able to attract and retain qualified professional staff.

Allowing the swap of the two Administrative Specialist II positions listed above will allow the Finance Division to supplement their staff on market regulation examinations, which will allow the department to participate in large, complex multi-state regulation examinations. This will ensure examinations will be performed timely and meet required statutory compliance standards and maintain national accreditation requirements.

The Office of Personnel Management has reviewed these requests and **recommends** the establishment of the requested pool positions at the classifications of Information Systems Manager, D007C, grade C128 and Insurance Senior Examiner, A042C, grade C122, for the remainder of this fiscal year as well as through the 2015 fiscal year.

Your approval of these requests is greatly appreciated.

Sincerely,



Kay B. Terry
State Personnel Administrator



Chief Fiscal Officer of the State

MAY -7 2014

Date

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

Memorandum

Date: April 22, 2014
To: Abbi Bruno, OPM – Class & Comp
From: Andrea May, ^{ML}HR Manager
Subject: Pool Position Request

SURRENDERED: 2 - ADMINISTRATIVE SPECIALIST II

POSITON(s) #: 22082841 & 22088157; **CLASS CODE:** C073C; **GRADE:** C109

REQUESTED: INSURANCE SENIOR EXAMINER; **CLASS CODE:** A042C; **GRADE:** C122

At a time when the rigorous technical requirements of market regulation demands examiners possess professional market regulation expertise, the need for effective state market regulation to protect Arkansas insurance consumers is more important than ever. It is essential that the department attract and retain professional staff to meet the increased demands of market regulation. Since market regulation has become more and more an integral part of complying with national standards, there is an increased competition for qualified examiners.

Insurance departments across the country frequently struggle to maintain necessary staff to meet the technical standards of market regulation; however, the landscape is ever-changing and becoming even more demanding. It is essential that the department be able to attract and retain professional staff to meet these increased demands.

Consequently, the department is requesting to swap two (2) administrative specialist II positions, grade C109 for an Insurance Senior Examiner – Market Regulation, grade C122. This will allow the Finance Division to supplement their staff on market regulation examinations, which will allow the department to participate in large, complex multi-state market regulation examinations, which will allow the department over time to move the two financial examiners who are performing market regulation examinations are conducted on a yearly examination schedule in order to meet required statutory compliance standards and maintain national accreditation requirements. Therefore, Commissioner Bradford request that the position swap be approved in order to meet the ever-changing landscape of market regulation and the importance to the insurance consumers of the state of Arkansas.

This is necessary at this time because:

- Possible significant multi-state market regulation examinations, which often may be dispersed geographically across the U.S., will need to be completed during the next several years occasionally in coordination with other states.
- The department is without a senior market regulation examiner position, which would allow us to expand the experience level of the market regulation staff to meet demanding examination schedules and the ability to participate in large complex multi-state market regulation examinations.
- The department currently has two financial examiners performing market regulation examinations; however, it is imperative for the department to have the ability to enhance current regulation staff to continue to meet ever-changing and demanding NAIC Market Regulation requirements. Also, due to increasing standards, it takes significantly more time to complete an examination; whereby, it is critical to hire additional market regulation staff.
- A Senior Market Regulation examiner on staff would allow the department the ability to provide critical training to the examination staff in order to meet the demands of the department's yearly examination schedule.



DEPARTMENT OF FINANCE & ADMINISTRATION
Office of Personnel Management
Request for Pool Position

Business Area	Agency/Institution	Date
0425	Arkansas Insurance Department	04/22/14

Position(s) to be Surrendered

Position/Item Number	Classification Title	Pay Grade	Class Code
22082841	Administrative Specialist II	C109	C073C
22088157	Administrative Specialist II	C109	C073C

Classification(s) Requested

N/A	Classification Title	Pay Grade	Class Code
	Insurance Senior Examiner	C122	A042C

I Hereby Certify / Understand That

- A The position requested is critical to the operation of this Agency/Institution 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/Institution
- E No current employee will be displaced by this action.

Agency Personnel Rep	Date
	04/22/14

Agency Director	Date
	04/22/14

Arkansas Insurance Department

Mike Beebe
Governor



Jay Bradford
Commissioner

Memorandum

Date: April 22, 2014
To: Abbi Bruno, OPM – Class & Comp
From: Andrea May, HR Manager
Subject: Pool Position Request

Surrendered: Risk Consultant; Class Code: G120C: Grade: C120

Requested: Information Systems Manager: Class Code: D007C: Grade: C128

The Arkansas Insurance Department's Risk Management Division (RMD) is charged with the responsibility of providing insurance consultation and coverage protection for all state assets with the exception of the U of A system. In addition, the division also provides the consulting and insurance coverage for public school that choose to participate in the plans offered by this office. This involves over 10,000 vehicles and \$13 billion of property. The division also is in charge of the Fidelity Bond Program that protects state, county, municipal, and school entities against employee theft. Other specialty insurance needs include communication towers, aircraft, fine art, and AETN Broadcasters liability coverage.

In 2003, legislation Commissioner Bradford sponsored allowed RMD to establish a trust fund so that higher retentions (deductibles) could be purchased; therefore, better pricing could be secured from the insurance industry. Prior to this legislation, State agencies struggled with budgeting for the biennium due to fluctuating premiums. That concept has been a great success and as a result, rates for state agencies have remained unchanged since July 1, 2003. Financial savings in excess of \$30 million have been achieved and much of that savings has been passed back to state agencies through reduced premiums.

In 2004, the Department of Education (ADE) requested that RMD take over the struggling Public School Property and Vehicle insurance programs. That program came to RMD during a special in February 2004. These programs were in a state where property values were grossly under reported, some properties not even listed on the schedule, square footage significantly incorrect, and insurance coverage less than optimal. It took RMD nearly 3 years to inspect and verify the information that has helped RMD to secure outstanding property and vehicle insurance policy protection.

Pool Position Request

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The Risk Management Division (RMD) has developed a great working relationship with property and vehicle brokers and insurers. The division has accomplished that by providing accurate, verifiable data along with proper insurance replacement values. The industry knows the information provided is accurate whether the insured item is good, bad or ugly.

Numerous industry professionals have stated that AID Risk Management provides the best, most reliable information of any of their customers, public or private.

The division is currently using ACCESS databases designed by a division employee (now retired). These databases are operating on 2003 technology. Efforts by the department's Information Technology Division (AID-ITD) to convert RMD's data to the 2010 Microsoft system has not been successful. RMD has been informed for years by AID-ITD that Microsoft would be phasing out support for the 2003 product and changes would have to be made. Also, due to the vast responsibilities of AID-ITD to manage the various divisions' programs within the department, AID-ITD does not have the personnel resources to devote the enormous time required by RMD.

Pricing in the insurance market is driven by data. Accurate, dependable data generally results in lower rates. With the volume of business conducted by RMD, an up or down change in the property rate of \$.01/\$100 of value results in a premium difference of \$1.3 million.

It is now imperative and urgent that the Risk Management Division be allowed to surrender the Risk Consultant, grade C120 through the pool process to employ a Information Systems Manager, grade C128 with a base salary of \$73,116 to accomplish it's vast IT responsibilities and needs.

I believe it is now imperative and urgent that the Risk Management Division be allowed to employ a Chief Technology Officer, grade N904, with a base salary of approximately \$73,116. I have a Risk Specialist grade 120 that will not be filled if this request is approved.



DEPARTMENT OF FINANCE & ADMINISTRATION
Office of Personnel Management
Request for Pool Position

Business Area	Agency/Institution	Date
0425	Arkansas Insurance Department	04/23/14

Position(s) to be Surrendered

Position/Item Number	Classification Title	Pay Grade	Class Code
22088201	Risk Consultant	C120	G120C

Classification(s) Requested

N/A	Classification Title	Pay Grade	Class Code
	Information Systems Manager	C128	D007C

I Hereby Certify / Understand That

- A. The position requested is critical to the operation of this Agency/Institution 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/Institution
- E. No current employee will be displaced by this action

Agency Personnel Rep	Date
<i>Michael D. Ray</i>	04/23/14

Agency Director	Date
<i>James B. Smith</i> <i>am</i>	04/23/14