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July 10, 2024

Via Email: [jcr.docs@mlis.state.md.us](mailto:jcr.docs@mlis.state.md.us)

The Honorable Guy Guzzone  
Chairman, Senate Budget and Taxation  
Committee  
Miller Senate Office Building, 3 West  
11 Bladen Street  
Annapolis, MD 21401

The Honorable Ben Barnes  
Chairman, House Appropriations Committee  
House Office Building, Room 121  
6 Bladen Street  
Annapolis, MD 21401

**RE: 2024 p43-44 MIA Insurance Tracking System (ITS) Project Status**

Dear Chairman Guzzone and Chairman Barnes:

Enclosed please find the Report of the Maryland Insurance Administration summarizing the Insurance Tracking System (ITS) Project Status as mandated by the Joint Chairmen's Report on the Fiscal 2025 State Operating Budget (SB 360) and the State Capital Budget (SB 361) and Related Recommendations ("Joint Chairmen's Report"). *See p. 43-44.*

Five printed copies and an electronic copy of this report have been mailed to the DLS library for its records.

Should you have any questions regarding this Report, please do not hesitate to contact me or the MIA's Director of Legislative and Regulatory Policy, Jamie Sexton at [jamie.sexton@maryland.gov](mailto:jamie.sexton@maryland.gov).

Respectfully yours,

Joy Y. Hatchette  
Acting Commissioner

cc: The Honorable Bill Ferguson, President of the Senate  
The Honorable Adrienne A. Jones, Speaker of the House of Delegates  
Sarah T. Albert, Department of Legislative Services (5 copies)



**Maryland**  
INSURANCE ADMINISTRATION

## **Joint Chairmen's Report**

### **Insurance Tracking System (ITS) Project Status**

**Joy Y. Hatchette  
Acting Insurance Commissioner**

**July 10, 2024  
Revised Version 1**

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This document is available in alternative format upon request  
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## TABLE OF CONTENTS

Introduction.....	1
Overview and Project Background .....	1
Project Progress in Previous Two Quarters .....	3
Expected Project Progress Over Next Two Quarters.....	4
Project Progress Beyond Next Two Quarters .....	4

## **I. Introduction**

The Joint Chairmen's Report from the 2024 Legislative Session directs the MIA to provide the Committees with two updates on the status of the Insurance Tracking System (ITS) Project, to keep the Committees informed of any delays or cost increases. This report serves as the first update, and the second being due on January 10, 2025. Following a brief overview of the Project's history in the section captioned, "Overview and Project Background," this Report specifically addresses the following items requested by the Committees:

- a summary of progress made on the project in the previous two quarters and projected tasks to be completed in the following two quarters, including a list of all identified project development benchmarks and target dates and actual completion dates for each major benchmark;
- actual project spending over the previous two quarters; and
- any updates to the estimated total project cost or anticipated project timeline.

## **II. Overview and Project Background**

As explained in the MIA's [2023 "ITS Project History and Future Management Plans" report](#), planning and procurement-related activities for the MIA's Insurance Tracking System (ITS) project began in 2019. The purpose of the ITS project was to design and implement a system that would replace and expand the capabilities of the MIA's legacy Enterprise System (ES), which was custom built in the 1990s as a rudimentary case tracking and case management platform for Company Licensing and Renewals, Market Conduct, and Hearings and Orders. The ES technology is obsolete and its functions are minimal and insufficient to meet the needs of the MIA with respect to the units that are using it. The new ITS project includes the upgrading or introduction of case management, a centralized database, data management controls, license management, a contact center environment, and communication portals for the receipt of secure data from the public and licensees. ITS will also strengthen (and in some cases, implement) IT, data privacy, and security governance and risk management controls; initiate platform and release management; and establish agency-wide data and document indexing methods and protocols.

Planning and procurement-related activities for ITS began in 2019. The MIA worked closely with the Maryland Department of Information Technology (DoIT) with respect to the original RFP. After conducting the above-referenced research, the MIA met with DoIT to review the project scope and design on November 18, 2019. Thereafter, the MIA submitted the required Information Technology Project Request (ITPR) documentation, which DoIT approved. DoIT also assigned a Project Oversight Manager for the project.

The timing of the documentation of the RFP was disrupted by the Covid-19 pandemic, and the need for the MIA to focus on transitioning to a fully virtual teleworking environment. Documenting the ITS RFP resumed in May 2020, and the draft RFP was submitted to the Department of General Services (DGS) and DoIT for review and feedback on September 9, 2020. The MIA incorporated the DoIT's feedback into the RFP and received DGS's approval to release the RFP on February 1, 2021. After BPW's approval on October 4, 2021, the MIA awarded the Insurance Tracking System (ITS) Contract to MERP Systems, Inc. (the "Contractor") on October 21, 2021.

As further discussed in the [2023 "ITS Project History and Future Management Plans" report](#), the Contractor was ultimately terminated for default on March 10, 2022, and the MIA began reworking the RFP, and working with DoIT to discuss the most time and cost efficient way to proceed. DoIT recommended that the MIA shift to a Salesforce solution instead of the Microsoft Tools Solution and further recommended that the MIA seek bids through the State's One Stop contract. DoIT's recommendations were accepted and the MIA provided DoIT with its expanded RFP scope of work to share with the One Stop vendors. The scope of work developed by MIS and provided to DoIT was intended to develop a system similar in scope to the functionality described in the original 2021 ITS RFP, but with the expectation that it would readily integrate with other software solutions, expand to accommodate additional functions, and accommodate new modules for MIA units not fully serviced by the MIA's current ES or ECTS systems, or other software applications.

On November 12, 2022, DoIT submitted requests for quotes from its One-Stop vendors. MIA and DoIT met with the two vendors available under the One Stop contract on December 9, 2022 to discuss scope and answer vendor questions. Following the meeting, DoIT advised the vendors to submit their quotes by December 30, 2022. The vendors subsequently requested an extension and DoIT extended the deadline to February 10, 2023. The bids were submitted on time and reviewed internally by DoIT.

The MIA did not receive copies of the bids until March 31, 2023, after they had been approved by DoIT. Neither proposal offered a complete solution for the MIA's ITS Project, both required separate procurements for development tools, middleware, and a Document Management technology and both lacked a Deliverable Acceptance Term for vendor payments. The proposals also exceeded MIA's cost expectations by several million dollars. In addition, one bid was \$10 million higher than the other, with no immediately appreciable distinction between the two bids. The MIA identified its Bid Evaluation Team and met with DoIT on April 27, 2023 to discuss the bids and MIA's options for moving forward.

In the meantime, the MIA noted the Salesforce Master Contract (SMC) on DoIT's website. The MIA asked the Office of State Procurement (OSP) within DGS about the scope of

the Salesforce Master Contract (SMC) and whether it was limited to licenses or included professional services. OSP advised that the SMC is not limited to licenses and includes architectural services, such as discovery sessions and the creation of a project blueprint. The SMC does not currently include implementation services, but it is expected that implementation services will become available in September 2023.

Given the MIA's experience with the RFP Contractor and the One Stop bid process, the decision was made to carve out the architectural design services as a first phase, which would inform the scope of work, and the projected work plan, cost and timing of the replacement and enhancement/expansion of the ES system modules, and then phase additional builds to expand capacity and integrate applications and systems over time.

DoIT and OSP advised the MIA that this was an acceptable and permissible option. Hence, on May 30, 2023, the MIA requested that DoIT cancel the One-Stop request for bids. The MIA received a quote for design services under the SMC on June 2, 2023. On June 6, 2023, DoIT authorized the MIA to move forward with the engagement. The MIA prepared a purchase order, which was approved by OSP and sent to the SMC vendor on June 15, 2023. The scope of the purchase order included tasks such as detailed requirements gathering, identifying strengths and weaknesses, system architecture development, and blueprint creation. The vendor started this work in June 2023 and successfully completed the design services and provided a blueprint in September 2023. Following the MIA's review of the blueprint, the MIA engaged the SMC vendor to prepare detailed design for the project. That work began in October 2023 and was completed in February 2024.

The MIA has worked with DoIT to complete a rebaseline for the ITS project. As noted above, the project scope has changed substantially. The initial scope of the ITS project was limited, incomplete, and did not position the agency for the future. The MIA reevaluated the functional, informational and technological needs of its business units, as well as the agency's need to eliminate manual processes, digitize communications and interface, and deploy software solutions more nimbly. As a result of the careful and detailed discovery process, which involved 68 sessions and touch points with SaleForce, the project will create a true enterprise system for most users of the MIA.

### **III. Project Progress in Previous Two Quarters**

In the last two quarters, the design phase for the “Insurance Tracking System” (ITS) was completed. This involved review by the contractor of design needs for the following MIA units: Producer Licensing, Company Licensing, the Insurance Fraud and Enforcement Division, and the Compliant Unit of the Property & Casualty Division. The review is expected to help ensure

that the system fully meets the needs of the MIA, including a review of how the system will integrate with the processes of the National Association of Insurance Commissioners (NAIC).

In addition to the design review performed for the above referenced units, review and implementation was performed and completed for the Health Coverage Assistance Team (H-CAT) of the Consumer Education and Advocacy Unit (CEAU). H-CAT is a new unit that seeks to assist consumers by providing guidance relating to health plan and coverage issues. More information on H-CAT can be found here:

<https://insurance.maryland.gov/Consumer/Pages/Health-Coverage-Assistance-Team.aspx>.

Implementation involved coordination with DoIT and a security review of third-party applications. ITS became operational (the “go-live date”) for H-CAT on June 10, 2024. Expenditures over the previous two quarters for the ITS project were \$1,817,649.93.

#### **IV. Expected Project Progress Over Next Two Quarters**

In fiscal year 2025, the MIA is proceeding with the implementation phase of the project through a phased approach, which are termed “Releases.” The Releases include the “build phase” for the various units, testing, and deployment of the system. The next two quarters will feature Release 2 and a partial release of Release 3 (with the remaining portion in calendar year 2025). Release 2 will involve implementation for the following units of the MIA: Producer Licensing and the Insurance Fraud and Enforcement Division. The build phase for Release 2 will occur from 6/17/24 - 10/4/24. The testing phase will take place from 10/7/24 - 10/25/24, and the deployment phase will take place from 10/28/24 - 11/1/24 with an expected go live date of 10/29/24. Release 3 will involve implementation of the project for Company Licensing, the Complaint Unit of the Property and Casualty Division and the Rapid Response unit of CEAU. The start of the build phase for Release 3 will take place on or about 11/4/24 and should run until 12/31/24.

The total cost of the project for FY 2025 is expected to be approximately \$8.6 million, with expenditures in the next two quarters for Release 2 expected to be \$ 2,924,029.84. The MIA will continue to work closely with DoIT and DBM to ensure budget sufficiency. As a reminder, this project is funded with Special Fund revenue from the Insurance Regulation Fund, and does not pose an impact on the state General Fund.

#### **V. Project Progress Beyond Next Two Quarters**

Beyond the next two quarters, the MIA expects to complete the remainder of Release 3 in fiscal year 2025 as well as Release 4, which will include the Office of Hearings and the Market Regulation and Professional Licensing Division. In fiscal year 2026, the project will move to implementation for the remaining units within the Property and Casualty Division as well as

design and implementation for the Life and Health Division as well. Project costs for FY 2026 are projected to be approximately \$ 6.7 million for implementation expenses plus additional annual licensing fees. The project is expected to be completed in fiscal year 2026 with an expected total cost of \$20,826,547.43.