Ladies and Gentlemen:

I respectfully submit the Annual Report for the Office of Superintendent of Insurance for the fiscal year ending June 30, 2015. The report includes financial statements, performance results, and other highlights from within the Office of Superintendent of Insurance.

I am very proud of the strides made by our young agency during the last two years, including: increasing our National Regulatory Ranking; having the third largest reduction in the number of uninsured individuals due to the Affordable Care Act, with our plans being the third lowest cost health insurance plans for individuals in the United States; continuing to combat insurance fraud; remaining a financially sound agency; and implementing new technology resources as available.

Please do not hesitate to contact me should you have any questions regarding this report, our operations, or strategic plans.

Respectfully,

[Signature]

John G. Franchini
Superintendent of Insurance
AGENCY MISSION

The mission of the OSI is to provide consumers with convenient access to reliable insurance products which are underwritten by dependable and financially sound companies. The OSI strives to ensure that these companies have a proven history of fair and reasonable rates and are represented by trustworthy and qualified agents. The OSI is committed to consumer protection and to the deterrence and prosecution of insurance fraud.

AGENCY VISION

The vision of OSI is to become one of the country's leading regulatory agencies with respect to overseeing the insurance industry in New Mexico and ensuring that New Mexico insurance consumers are treated fairly and honestly. In addition, OSI strives to be a leader with respect to the roll out of the Patient Protection and Affordable Care Act (PPACA), commonly called the Affordable Care Act (ACA) or "Obamacare" and ensuring New Mexicans have access to quality and affordable health insurance that maintains a level of minimum standards.
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Biography of the Superintendent of Insurance

John G. Franchini


During the 2013 legislative session, legislation effectuating a Constitutional Amendment passed in the 2012 general election (HB 45) removed the insurance division from the PRC and created a stand-alone agency, The Office of Superintendent of Insurance (OSI). This was effective July 1, 2013.

This legislation also created a nominating committee for the position of the Superintendent of Insurance. The nomination committee unanimously re-confirmed John G. Franchini to continue in his capacity as Superintendent for the State of New Mexico.

Franchini has more than 35 years’ experience in the insurance industry. He “temporarily” joined Consolidated Agency, his father’s independent insurance agency, while attending graduate school at the University of New Mexico. Ten years later, he purchased the business and expanded it to four locations, employing 82 people and servicing nearly 15,000 customers. During that time, he served on the New Mexico Workers’ Compensation Assigned Risk Pool Board of Governors, the Patient Compensation Administration Board of Directors, and was elected president of the Independent Insurance Agents of New Mexico. In 1998, Poe & Brown, a national insurance broker, purchased the business. Franchini was named vice president, and his responsibilities included new business production, development of specialized insurance programs, and agency acquisitions.

Franchini joined New Mexico Mutual in 2002 and was eventually named vice president of government and industry affairs. At New Mexico Mutual, he worked with state legislators, members of regulatory agencies and insurance agents to strengthen the company’s financial and public standing.

He is also a member of the Leadership New Mexico Class of 2007, former board member of the Rocky Mountain Insurance Information Association and past president of the New Mexico Insurance Association.

Franchini is a native New Mexican and a graduate of Creighton University in Omaha, NE.
The Office of Superintendent of Insurance (OSI) was created on July 1, 2013, pursuant to the passage of Constitutional Amendment 4 during the 2012 General Election and the subsequent enactment of House Bill 45 (Laws of 2013, Chapter 74) from the 1st Session of the 51st Legislature. These actions removed the insurance regulatory function from the Public Regulation Commission (where it was housed as the “Insurance Division”) and placed it in a newly-created adjunct state agency entitled the “Office of Superintendent of Insurance.” The enabling legislation also created an Insurance Nominating Committee to appoint the Superintendent of Insurance.

OSI is comprised of 15 bureaus and sections, and has one hundred twenty-two full-time equivalent (FTE) positions authorized by the General Appropriations Act which includes thirteen federally funded grant positions and nine positions funded through a memorandum of understanding (MOU) with the New Mexico Health Insurance Exchange (NMHIX). Six of the one hundred twenty-seven FTE positions are currently GOVEX positions. Additional FTE positions authorized through federal grants were budgeted through a Budget Adjustment Request this fiscal year as they were not authorized by the federal government when the FY15 operating budget was submitted.

The OSI is in the process of working with the New Mexico State Personnel Office and the Department of Finance and Administration to hire the positions authorized and/or convert positions to the proper classifications needed for insurance operations.

A majority of OSI staff members are currently located in the old PERA building in Santa Fe. In February 2015, OSI expanded its office spaces and established an office in Albuquerque which will house the federally funded and MOU positions.

OSI is looking to expand further in Albuquerque to house its Fraud Bureau, in addition to the satellite office in Las Cruces for one member of the Fraud Bureau.
As a newly-created agency, OSI continues to work on revising its organizational structure to improve its functionality and to attract and retain qualified insurance regulatory professionals. OSI continues to ensure New Mexico statutes, rules and regulations are updated and enacted to support the implementation of the Patient Protection and Affordable Care Act and to protect New Mexicans.

OSI continues to work on converting to a paperless, web-based environment known as the OSI Paperless, Web-Based Environment Project, allowing the agency to migrate the insurance IDEAL system into the State Based System (SBS). This new system will provide tools and products that are promulgated by the National Association of Insurance Commissioners (NAIC) and used by more than thirty-two other states to process insurance transactions and supports the National Insurance Producers Registry (NIPR). This project has an anticipated full completion date of December 31, 2016 and currently stands at approximately fifteen percent complete.

In addition, OSI is in the process of establishing a separate Actuarial Bureau or Unit that will perform and oversee all actuarial functions within the agency to include review and approval of rate filings, monitor rate trends and rating practices and monitor the competitiveness of insurance markets in New Mexico by product line.

OSI has established the following initiatives:

I. Revise the organizational structure inherited from the Public Regulation Commission’s Insurance Division to improve OSI’s functional and administrative structures, ensuring that staff has been properly placed, are sufficient to serve the industry, and are provided with educational training opportunities to better hone their skills and proficiency.

II. Replace OSI’s legacy data management system (IDEAL) with the fully functional system promulgated by the National Association of Insurance Commissioners known as State Based System (SBS), and further transition into a paperless environment.

III. Fully implement online license application and renewal processes for insurance agents and other individual and small businesses.

IV. Continue to ensure New Mexicans have access to quality and affordable health insurance that maintains a level of minimum standards.

V. Establish an Actuarial Unit
Agency Accomplishments

I. Improving OSI’s Regulatory Ranking
   o An Independent National Accreditation organization has increased the Office of Superintendent of Insurance’s ranking to a B (23rd in the nation) from a D- 5 years ago (43rd in the nation), for insurance regulatory agencies in the United States.

II. Keeping Insurance Affordable
   o Health insurance rates in New Mexico under the Affordable Care Act are the third lowest for individual plans in the United States.

III. Insuring New Mexico
   o New Mexico has the 3rd largest reduction in the number of uninsured individuals due to the Affordable Care Act.

IV. Improving Technology
   o The Office of Superintendent of Insurance has successfully integrated the surplus lines broker premium tax filings online through the implementation of the State Based System, an online platform promulgated by the National Association of Insurance Commissioners.

V. Combating Insurance Fraud
   o The Insurance Fraud Bureau within the Office of Superintendent of Insurance has been accepted into the New Mexico Municipal League Accreditation program.
   o Thanks to the efforts and achievements of the Bureau, New Mexico has been selected to host the 2016 National Insurance Crime Bureau Auto Theft Conference.

VI. Financially Sound and Accountable
   o The Office of Superintendent of Insurance has completed its 1st annual financial audit as a stand-alone agency, successfully and on-time.
ACA (Affordable Care Act) Implementation Bureau

The Office of Superintendent of Insurance (OSI) has received two grants under the Affordable Care Act to assist OSI in enhancing its health insurance rate review processes, and to assist consumers with understanding their health insurance options. These grants have allowed OSI to hire additional staff and actuarial consultants, and to develop www.nmhealthratereview.com, a website that provides consumers with information and feedback opportunities on health rate filings.

The Office of Superintendent of Insurance has received two additional federal grants for creation and support of the Health Insurance Consumer Assistance Program (HICAP) to inform New Mexicans about their health insurance needs, rights, and responsibilities. The health insurance ombudsman, who directly handles the HICAP program, provides consumer assistance with questions, concerns, and issues related to helping uninsured individuals find health care options, and also for issues related to Health Insurance Exchange coverage.

Additionally, OSI has entered into a Memorandum of Understanding (MOU) with the New Mexico Health Insurance Exchange (NMHIX) to implement the section of the NMHIX statute that requires OSI to provide any needed regulations to govern or assist the NMHIX in providing increased access to health insurance in New Mexico. In carrying out these duties, the ACA Implementation Bureau works closely with OSI leadership and all other bureaus involved in health insurance. The ACA Implementation Bureau is tasked with also developing numerous new initiatives within OSI related to health insurance reform.

The New Mexico Health Insurance Consumer Assistance Program participates in public outreach events to further the program’s community networking and awareness, and works closely with the Managed Health Care Bureau, as well as the NMHIX individual insurance carriers to better serve New Mexicans:

I. HICAP estimates over 40,000 New Mexicans have been reached through outreach events attended by HICAP personnel

II. Over 400 consumer assistance cases have been handled, including referral to enrollment counselors and licensed agents for health plan information, Advance Premium Tax Credit (APTC, aka subsidy) corrections, documentation issues, and referral to enforcement bureaus, as needed

III. HICAP has a positive impact on the consumers and health care providers of New Mexico:

a. Illustrative Example #1: A provider contacted HICAP seeking payments from a carrier she was contracted with for services provided to clients. These clients all purchased plans through the NMHIX, and the provider indicated services had been provided for 4 months without payment from NMHIX plans. The complaint was referred to the carrier by HICAP and the carrier paid all amounts owed to the provider.
Actuarial Unit

The purpose of the Actuarial Unit is to review and approve rate filings, to monitor rate trends and practices, the competitiveness of insurance markets in New Mexico, and to perform additional tasks as determined by the Superintendent of Insurance.

In addition, the Chief Actuary also serves as the Office of Superintendent of Insurance’s primary administrator of the Patient’s Compensation Fund. The Unit is comprised of three credentialed actuaries and two non-credentialed employees performing assistant actuarial roles.

The Unit continued to be assisted in its review of Affordable Care Act (ACA) health insurance plan rate filings by an external actuarial consulting firm under an ACA funding grant.

The Unit also provided the Examinations Bureau with in-depth analyses of the financial strength of property and casualty insurers domiciled in New Mexico.

Lastly, the Unit actively participated in National Association of Insurance Commissioners (NAIC) committees on health and long-term care pricing, valuation and compliance, and also on risk-based capital requirements for insurers, particularly in the area of operational risk.

FY 15 Reporting

- 578 health and long-term care rate filings
- 56 property and casualty rate filings

Administration Unit

The Administration Unit includes the Superintendent of Insurance, the Deputy Superintendent of Insurance, General Counsel, Office of Superintendent of Insurance legal staff, the Chief Administrative Officer, the Chief Financial Officer, Budget and Finance units, Human Resources unit, Public Information, Information Technology, and Records, all of which provide administrative support to the Office of Superintendent of Insurance.
Agency Organizational Units

Company Licensing Bureau

The Company Licensing Bureau licenses insurance companies and other risk-bearing insurance-related entities such as businesses in the area of: Property, Casualty, Life, Health, Title, Surety, Marine, and Transportation.

Pursuant to this, the Company Licensing Bureau receives, reviews, processes, and renders determinations on applications from insurance entities that want to enter the New Mexico insurance market.

The Company Licensing Bureau oversees almost $500 million in insurance company deposits held with Century Bank and the State Treasurer’s Office for the protection of New Mexico policyholders and creditors. The bureau also reviews and processes documentation submitted by insurance companies for acquisitions, re-domestications, mergers and name changes.

Lastly, the Company Licensing Bureau is responsible for the collection of premium taxes and policy filings from surplus lines brokers.

FY 15 Reporting

Deposits
- Total Securities Held with Custodial Bank: $477,631,700.00
- Total Surety Bonds Held with State Treasurer: $19,810,000.00
- Active insurance companies and insurance related companies: 2005

Collections
- Total Surplus Lines Premium Taxes: $3,187,291.87
- Total Surplus Lines Premium Tax Penalties: $31,190.44
Agency Organizational Units

Consumer Assistance Bureau

The Consumer Assistance Bureau receives, processes, and resolves complaints and inquiries from consumers about insurance rates and claim-handling for all insurance products other than those involving managed health care.

The Consumer Assistance Bureau alerts the Investigations Bureau of situations where a complaint reveals a potential violation of insurance statutes and regulations by an insurance company or other insurance licensee.

FY 15 Reporting

Complaints Received

- Property and Casualty: 411
- Life and Health: 141
- Other: 74

Dollars Saved For Consumers

- Property and Casualty: $506,763.64
- Life and Health: $134,356.49
- Other: $6,956.45

Illustrative Example of Consumer Assistance: A consumer contacted the Consumer Assistance Bureau with concerns over a delay in claim processing due to an automobile accident. The Bureau investigated the details of the consumer’s claim and determined that the insurance carrier had taken over 1 year to process the claim, even though repairs had been made to the vehicle, but full payment for repairs had yet to be released to the repair contractor, and thus the consumer was still without their vehicle. After the Bureau contacted the insurance carrier, the repair contractor was successfully paid for the claim in the amount of $81,707.81, and the consumer’s vehicle was finally released.

Illustrative Example of Consumer Assistance: A consumer contacted the Consumer Assistance Bureau with concerns over being sold a Medicare Supplement policy. The consumer was notified by the insurance carrier that the policy sold was a duplication of coverage he already had in place, and thus, the new policy would not pay for claims submitted. The Consumer Assistance Bureau, in working with the insurance carrier and the consumer, was able to assist the consumer in successfully cancelling the policy and being refunded $1,907.50 which represented his premiums paid for the duplicate coverage.
Examinations Bureau

The Examinations Bureau reviews insurance company financial statements filed with the Office of Superintendent of Insurance. The bureau conducts periodic financial examinations, as well as ad hoc specialized market conduct and target financial examinations of insurance companies and agents. The Chief Examiner coordinates an internal solvency review team, consisting of financial analysts and actuaries, to plan examination activity, and review annual and quarterly financial statements filed by insurance companies domiciled in New Mexico and elsewhere.

Performance Measure: Percent of domestic company examination reports adopted within eighteen months of the examination period.

- FY 15 Target: 100.0%
- FY 15 Results: 100.0%

Performance Measure: Percent of insurance division interventions conducted with domestic and foreign insurance companies when risk-based capital is less than two hundred percent.

- FY 15 Target: 100.0%
- FY 15 Results: 100.0%
Financial Audit Bureau

The Financial Audit Bureau Section is responsible for collecting, processing, and auditing premium tax filings for approximately 2000 insurance companies that write policies in New Mexico. All insurers authorized to transact business in New Mexico and all property bondsmen, self-insurers, title companies and risk retention groups are subject to pay premium tax on a quarterly basis. The Financial Audit Bureau is also responsible for the collection of fees and assessments.

The Annual Statement filing fee is required in order to file Annual Statements for the Examinations Bureau, the set rate is at $200.00 per company. The Property and Casualty Rate Form filing fees are required in order to file the Property and Casualty rate filings, are due annually, and are determined by premiums written in applicable lines of business. The Fraud Bureau Assessment is required annually for the estimation necessary to pay expenses incurred by the Superintendent in carrying out the provisions of the Insurance Fraud Act and is also determined by premiums written in applicable lines of business.

FY 15 Reporting

- Premium Taxes and Surtaxes Collected: $255,900,000
- Assessments and Fees: $2,100,000
- Refunds (Paid Out & Pending): $14,400,000
- Penalties and Fines: $625,000
Insurance Fraud Bureau

The Insurance Fraud Bureau investigates and prosecutes, through state district courts, insurance fraud committed by insurance policyholders and applicants, medical providers, third party claimants and other perpetrators of white-collar insurance fraud crimes. The bureau collaborates with state, local and federal law enforcement and regulatory agencies in these efforts. Its performance measure will be revised in Fiscal Year 2016.

The Insurance Fraud Bureau highlights from FY15 include:

- Acceptance into the New Mexico Municipal League Accreditation program
- Expanded supportive roles in special joint operations with statewide law enforcement agencies, and District and US Attorneys’ investigations and prosecutions
- Selected to host the 2016 National Insurance Crime Bureau Auto Theft Conference
  o Hosting the conference is a testament to the achievements of the bureau and its positive forecasts for fraud prevention and prosecution

FY 15 Reporting

- Total Number of Cases: 542

Performance Measure: Percent of insurance fraud bureau complaints processed and recommended for either further administrative action or closure within sixty days.

- **FY 15 Target:** 88.0%
- **FY 15 Results:** 60.33%

Explanation: This performance measure has failed because the Insurance Fraud Bureau (IFB) is in need of the appropriate infrastructure, equipment and personnel in order to manage the enormous case load that it intakes. The placement of these resources will be critical for day to day operations. It is difficult to recruit and retain certified police officers at the Range 65 Detective and Criminal Investigator when most other agencies recruit certified police officers at least two ranges higher with the same retirement; this creates a high turnover rate and leaves little stability. Unfortunately, the IFB is already understaffed, with no full time prosecutors, and is experiencing many personnel issues which have taken an inordinate amount of time away from the business operations of the Bureau. The Insurance Fraud Bureau has also experienced technical/equipment deficiencies and is currently working with the National Insurance Crime Bureau (NICB) to recover lost referral data within the system. The IFB is working on a new storage system and collection process of data. Although the IFB is experiencing a major budget deficiency, the Bureau is working with the Administration Unit to address those shortcomings.
Insurance Fraud Bureau (continued)

Corrective Action: The Insurance Fraud Bureau (IFB) has had both an evidence room, equipment and security audit conducted and will be implementing the recommendations from both the security and evidence room audit, as well as implementing new protocols to assist in efficiency and improved end-to-end case resolution and tracking. Likewise, the IFB has created a business plan which includes requesting a reclassification for the Agents to a higher pay range. The Bureau is working with the State Personnel Office on staffing issues, including hiring a management analyst that will assist in collecting, reviewing case data, and identifying trends in the insurance fraud division. The IFB is creating a new database for greater equipment and data analysis and collection control, and continues to work with the Administration Unit to address budget deficiencies and assess the daily operational needs of the Bureau. The IFB will also request an assessment of overall operations be done so that the Bureau can meet the established strategic goals.

Investigations Section

As the civil enforcement arm of the Office of Superintendent of Insurance, the Investigations Bureau receives complaints received from consumers, state and other non-government agencies, agents, and other organizations.

With probable cause that a statute or administrative code has been violated an investigation is opened. The Investigations Section reviews allegations of New Mexico Insurance Code violations, gathers documentation, interviews witnesses and testifies at hearings, as needed. Investigations that warrant discipline or prosecution are then sent to the staff attorneys.

FY 15 Reporting

- Number of Investigations: 271
Agency Organizational Units

**Life and Health Product Filing Bureau**

The Life & Health Product Filing Bureau reviews and renders determinations on the rates and coverage provisions filed by insurance entities for products pertaining to health, life, annuities, long-term care, Medicare supplement, credit life and disability filings, and miscellaneous correlated products. The bureau disposes of such filings where required, based on their compliance with the New Mexico Insurance Code, Insurance bulletins, Federal Regulations, and NAIC (National Association of Insurance Commissioners) guidelines. As a member of the Interstate Insurance Compact, New Mexico participates in multi-state reviews of additional life and annuity product filings.

**FY 15 Reporting**

Total Insurance Products Filed – 3,172

- Health – 1,364
- Life – 595
- Medicare Supplement – 493
- Long Term Care – 306
- Annuity – 359
- Multi-Line – 34
- Charitable Gift Annuities – 15
- Credit Life and Disability – 6
Life and Health Product Filing Bureau (continued)

Performance Measure: Percent of form and rate filings processed within ninety days.

- FY 15 Target: 99.0%
- FY 15 Results: 96.00%

Explanation:

1) The Life and Health Bureau is currently short 2 compliance officers and actuarial reviewers.

2) The Affordable Care Act (ACA) was implemented and launched during 2013 and 2014. This was a new facet to our current function and the bureau is still unsure to what will be the additional influx of work. Additional plans were reviewed, new programs were learned and additional federal regulations were implemented, in addition to the already mandated New Mexico statutes and regulations.

3) Also, ACA is a collaborative effort between different stakeholders; deadlines were set and sometimes exceeded the performance measure timeframe set.

Corrective Action:

1) The Life and Health Bureau will have to fill the two current vacant compliance officer positions.

2) As deadlines are not solely set by the Life and Health Bureau, a request will be made to decrease the percentage target on the performance measure.
Agency Organizational Units

Managed Health Care Bureau

The Managed Health Care Bureau administers and enforces New Mexico’s Patient Protection Act and related health care regulations. The Managed Health Care Bureau handles complaints and inquiries from managed health care consumers and conducts outreach presentations throughout the state to inform consumers and health care providers of their rights and responsibilities under the Patient Protection Act. The bureau reviews external grievance appeals, proposes rule amendments, and also takes appropriate enforcement actions where merited.

FY 15 Reporting

- Complaints Received: 249
- Dollars Saved For Consumers: $299,936.68

Performance Measure: Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing.

- FY 15 Target: 98.0%
- FY 15 Results: 85.59%

Explanation: The Managed Health Care Bureau has been short staffed for nearly 3 years. We have not had enough staff to complete performance measures for that purpose. The Managed Health Care Bureau had 6 positions, of which 2 were removed. Currently, there are 5 positions including 1 new federally-funded position. The department had a target of 98% for 2015, and even with vacant positions, they achieved 85.59% of the target, as well as conducted 121 outreach presentations.

Corrective Action: Currently, the Managed Health Care Bureau has 5 filled positions, which management expects will assist with the workload and will help the department to reach their target in FY16.

Performance Measure: Number of managed healthcare outreach presentations conducted annually.

- FY 15 Target: 120
- FY 15 Results: 121
Agency Organizational Units

**Patient’s Compensation Fund**

While its primary function is the regulation of insurance, the Office of Superintendent of Insurance also administers the Patient’s Compensation Fund (PCF). The Patient’s Compensation Fund is a medical malpractice insurance risk-assuming function mandated by the Medical Malpractice Act.

**Producer (Agent) Licensing Bureau**

The Producer Licensing Bureau licenses approximately 120,000 insurance professionals, as well as, non-risk-bearing insurance entities. This includes insurance agents, agencies, brokers, adjusters, third party administrators, consultants, bail bondsmen, solicitors and motor clubs, as well as limited license insurance vendors such as cell phone sales agents and travel agents. To protect consumers, the bureau determines the qualifications and eligibility of applicants; approves pre-licensing and continuing education courses; tracks continuing education credits; and processes license applications, renewals and the appointment of agents by insurance companies.

**FY 15 Reporting**

- Total Active Licenses in New Mexico: 135,971
- Number of Company Appointments: 417,179
- Number of Company Appointment Cancellations: 203,072
- Number of Continuing Education Transactions: 6,250
- Number of Renewals: 870,526
- Number of Business Entity Licenses Issued: 5,872
- Number of Producer Licenses Issued: 41,257
- Number of Affiliation Transactions: 21,700
- ACA Certifications: 206
- Continuing Education Courses approved: 3,000

**Performance Measure:** Percent of producer applications, appointments and renewals processed within ten business days.

- **FY 15 Target:** 99.0%
- **FY 15 Results:** 99.88%
Property and Casualty Product Filing Bureau

The Property and Casualty Product Filing Bureau reviews and renders determinations on the rates and coverage provisions filed by insurance companies for products pertaining to automobile, homeowners, workers’ compensation, medical malpractice and other assorted products. The bureau approves or disapproves such filings where required, based on their compliance with insurance statutes, regulations and bulletins and with OSI policies and procedures.

The Workers’ Compensation Unit, a division of the Property and Casualty Product Filing Bureau, monitors the New Mexico Workers' Compensation Assigned Risk Pool, handles complaints by employers regarding their workers' compensation class code assignment and premiums, oversees the Safety Bonus Program and represents the OSI in other matters relating to Workers' Compensation.

Performance Measure: Percent of form and rate filings processed within ninety days.

- FY 15 Target: 99.0%
- FY 15 Results: 100.0%

FY 15 Workers’ Compensation Unit Reporting

- Formal Complaints: 11
- Workers’ Compensation Inquiries: 242
- Appeal Board Hearings: 0

Performance Measure: Percent of employers whose workers’ compensation accident frequency is reduced through counseling, advice and training.

- FY 15 Target: 75.0%
- FY 15 Result: 51.06%

Explanation: The measure failed because of the lack of staff and having staff certified in loss control. Due to this, it is necessary for staff to have the knowledge of loss control and to be able to make contact with organizations to provide counseling, advice and training. Also, since OSI does not have control over these organizations affected, it is difficult to reduce the accident frequency. This is a function that is done by the Workers' Compensation Administration (WCA); WCA is designed to perform this task.

Corrective Action: Measure is being discontinued for FY 16.
Title Insurance Bureau

The Title Insurance Bureau regulates the title insurance industry through rate-making and rule-making hearings held every odd numbered year. The Bureau collects and analyzes the annual agent and underwriter statistical reports, and the agent audit procedures. The Bureau annually assesses the insurers based on annual budgeting and maintenance. Periodically the Bureau performs on-site title plant inspections, affiliations, appointments, bank reconciliations, no-pay no-service documentation, and premium calculations.

The Bureau performs the investigation of marketing compliance within the regulations. The Bureau regulates more than 71 licensed title insurance agents and underwriters in New Mexico. The bureau investigates complaints, allegations of defalcations, marketing non-compliance, and other infractions by title agents and insurers. The Bureau coordinates with the Investigation and Fraud Bureaus for appropriate enforcement actions.

FY 15 Reporting

- Assessments for 2015: $682,200
- Inquiries Closed: 350
- Statistical Reports Reviewed: 71
The New Mexico Insurance Nominating Committee (Committee) was created by Laws 2013, Chapter 74, to appoint, and if necessary, remove the Superintendent of Insurance.

The Committee consists of four members appointed by the governor, four members appointed by the New Mexico Legislative Council, and a ninth member appointed by the other eight committee members.

During this fiscal year, the Committee met twice, on October 23, 2014, and on May 16, 2015. Meeting discussions included proposed legislation, updates on health care plans and rates, appointment process and compensation of the Superintendent of Insurance, and transition updates including accreditation and committee member appointments.

The current term of the Superintendent of Insurance expires on December 31, 2015.

Appointments to the Committee and scheduling a meeting to appoint a Superintendent of Insurance are pending.

The mileage and per diem for the Committee is funded through the Office of Superintendent budget.
The Office of Superintendent of Insurance (OSI) collected approximately $297 million in annual revenues in FY15, an increase of nearly $75 million over FY14. Approximately 84% of total collections are from premium taxes and surtaxes levied on insurance companies that write policies in New Mexico.

Typically, over 90% of collected revenues are transferred to various funds including the state general fund, the fire protection fund, the law enforcement protection fund, Carrie Tingley fund, and the Public Election Fund. The balances are refunded or are transferred to various funds within OSI used for operations (approximately 3% of collected revenues).

The following OSI operations have dedicated funding:

1. **Patient’s Compensation Fund (PCF)**, which is funded by over $12 million of annual surcharges levied on health care providers who obtain medical malpractice coverage from the PCF. These funds pay judgments and settlements rendered on behalf of medically injured patients as well as the PCF’s operating expenses. This includes one PCF FTE, as well as contracted professional services and OSI resources used in relation to the PCF. In addition, the PCF provides support to Insurance Operations for administration costs.

2. **Insurance Fraud Fund**, which is funded by a small portion of the premium taxes levied on insurers. This fund pays for the operations of the OSI’s Insurance Fraud Bureau, along with providing support to Insurance Operations for administration costs.

3. **Title Maintenance Fund**, which is funded by assessments levied on title insurers. This fund pays for the OSI’s Title Insurance Bureau, along with providing support to Insurance Operations for administration costs.

In addition to the funding sources above, OSI has been awarded just over $6 million in federal grants, with $5.7 million of this amount dedicated to the implementation and aspects of the Affordable Care Act in New Mexico. Also just over $2.4 million comes from a Memorandum of Understanding with the New Mexico Health Insurance Exchange.

### Revenue Sources
- Licenses, Renewals, and Appointments
- Premium Taxes
- Fines and Penalties
- Surplus Line Taxes
- Insurance Premium Surtaxes
- Assessments
- Patients’ Compensation Fund
- Continuing Education Filing Fees
- Miscellaneous (i.e. copy fees)

### Distributions and Transfers
- State General Fund
- Fire Protection Fund
- Law Enforcement Protection Fund
- Carrie Tingley Fund
- Insurance Operating Fund
- Public Election Fund (Discontinued as of July 1, 2014)
## Revenues Processed
### Fiscal Years 2010 - 2015

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<th>TYPE OF REVENUE</th>
<th>FY10</th>
<th>FY 11</th>
<th>FY 12</th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15</th>
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<td>$19,112,366.71</td>
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<tr>
<td>Surplus Line Taxes</td>
<td>$2,445,902.27</td>
<td>$2,704,626.30</td>
<td>$2,757,858.76</td>
<td>$2,689,433.16</td>
<td>$2,983,228.42</td>
<td>$3,187,291.87</td>
</tr>
<tr>
<td>Insurance Premium Surtax</td>
<td>$36,876,183.34</td>
<td>$36,049,652.90</td>
<td>$32,686,568.82</td>
<td>$30,445,982.31</td>
<td>$30,456,607.77</td>
<td>$47,747,166.26</td>
</tr>
<tr>
<td>Assessments</td>
<td>$1,365,835.97</td>
<td>$810,861.95</td>
<td>$1,682,720.43</td>
<td>$2,142,551.11</td>
<td>$1,338,205.13</td>
<td>$2,053,596.82</td>
</tr>
<tr>
<td>Patient's Compensation Fund</td>
<td>$12,733,122.99</td>
<td>$10,855,690.27</td>
<td>$12,188,092.37</td>
<td>$11,134,060.45</td>
<td>$12,433,743.99</td>
<td>$12,220,654.96</td>
</tr>
<tr>
<td>Continuing Education</td>
<td>$107,803.40</td>
<td>$106,418.10</td>
<td>$98,563.60</td>
<td>$97,167.00</td>
<td>$95,243.00</td>
<td>$97,454.63</td>
</tr>
<tr>
<td>Deductions *</td>
<td>($3,528,756.34)</td>
<td>($3,038,003.51)</td>
<td>($499,326.16)</td>
<td>($634,670.34)</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$55,316.32</td>
<td>$23,389.38</td>
<td>$55,113.67</td>
<td>$3,780.15</td>
<td>$44,042.33</td>
<td>$56,933.66</td>
</tr>
<tr>
<td><strong>Grand Total:</strong></td>
<td><strong>$242,386,615.26</strong></td>
<td><strong>$233,843,550.10</strong></td>
<td><strong>$227,285,073.70</strong></td>
<td><strong>$207,287,634.46</strong></td>
<td><strong>$222,087,504.92</strong></td>
<td><strong>$297,007,293.81</strong></td>
</tr>
</tbody>
</table>

Note: * Each revenue category is net of dishonored checks, credits and adjustments for FY 15.
Financial Reporting

FY 2015 Inter-Departmental Transfers

- INSURANCE OPERATION FUND, $11,085,874.58
- PATIENT'S COMPENSATION FUND, $12,220,654.96
- SPECIAL APPROPRIATIONS/OTHER, $100,000.00
- REFUNDS, $14,413,846.00
- TITLE INSURANCE, $675,000.01
- INSURANCE FRAUD FUND, $1,378,596.81
- INSURANCE LICENSING CONTINUING EDUCATION FUND, $97,454.63
- WORKING CAPITAL-REPRODUCTION FUND, $54,763.66
- ADJUSTMENTS & TRANSFERS ***, $33,380.59
- OTHER, $185,598.88

Office of Superintendent of Insurance
FY 2015 Fund Distributions

- **FIRE PROTECTION FUND**, $77,910,548.11
- **CARRIE TINGLEY**, $33,151.00
- **LAW ENFORCEMENT FUND**, $13,220,274.74
- **GENERAL FUND**, $165,389,637.90
FEDERAL GRANTS

- Total Number of Grants: 4
  - Limited Competition for Affordable Care Act (ACA) Consumer Assistance Program Grants
  - Affordable Care Act (ACA) Consumer Assistance Grants
  - Grants to Support States in Health Insurance Review – Cycle II
  - Grants to Support States in Health Insurance Review – Cycle III
- Grant Periods: Vary from 4/1/2011 to 9/30/2016
- Total Grant Funds Awarded To-Date: $6,051,590
- Total Positions Authorized: 17
- Total Positions Filled: 11
- Total Positions Vacant: 6
- Total Contracted Positions: 1

NM HEALTH INSURANCE EXCHANGE (NMHIX) MEMORANDUM OF UNDERSTANDING (MOU)

- MOU Period: 4/1/2011 to 12/31/2019
- MOU Total Amount: $2,445,000
- MOU FY17 Budget Request Amount: $510,000
- Total Positions Authorized: 9
- Total Positions Filled: 5
- Total Positions Vacant: 4