



2016 Annual Report

Office of Superintendent of Insurance

John G. Franchini, Superintendent



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STATE OF NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

SUPERINTENDENT OF INSURANCE

John G. Franchini - (505) 827-4299



DEPUTY SUPERINTENDENT

Robert Doucette - (505) 827-5832

December 1, 2016

The Honorable Susana Martinez, Governor
Members of the New Mexico State Legislature
State Board of Finance
Citizens of New Mexico

Ladies and Gentlemen:

I respectfully submit the Annual Report for the Office of Superintendent of Insurance for the fiscal year ending June 30, 2016. The report includes financial statements, performance results, and other highlights from within the Office of Superintendent of Insurance.

I remain very proud of the strides made by our growing agency during the last three years, including: increasing revenues collected through our agency by \$125 million, with over \$483 million in funds distributed into the State General Fund since FY14; helping New Mexico's consumers and service providers save and/or recover over \$7.3 million through our consumer assistance bureaus; having the third largest reduction in the number of uninsured individuals due to the Affordable Care Act, with our plans being the second lowest cost health insurance plans for individuals in the United States. Our agency continues to combat insurance fraud with a greater numbers of joint operations, prosecutions and convictions, and we remain a financially sound agency, implementing new technology resources for education, stakeholder advisory committees, and outreach, ensuring we reach as many of our fellow citizens as possible.

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

Respectfully,

John G. Franchini
Superintendent of Insurance

**STATE OF NEW MEXICO
OFFICE OF
SUPERINTENDENT OF
INSURANCE**

John G. Franchini
Superintendent of Insurance

Robert Doucette
Deputy Superintendent

David Barton
General Counsel

Jolene Gonzales
Chief Administrative Officer

Bryan Maestas
Chief Financial Officer

Alan Seeley
Chief Property & Casualty Actuary

Lisa Reid
Life & Health Director

Andy Romero
Property & Casualty Director

AGENCY MISSION

The mission of the Office of Superintendent of Insurance is to provide consumers with convenient access to reliable insurance products which are underwritten by dependable and financially sound companies.

The agency strives to ensure that these companies have a proven history of fair and reasonable rates, are represented by trustworthy and qualified agents, and treat consumers fairly and honestly.

The Office of Superintendent of Insurance is committed to insurance consumer protection, fraud prosecution, and education, striving to become one of the nation's leading regulatory agencies.

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John G. Franchini

Originally appointed by the New Mexico Public Regulation Commission (PRC), and after legislative action created the Office of Superintendent of Insurance as a stand-alone agency, Franchini has served New Mexico since 2010. After a thorough vetting process, the Nominating Committee chose to unanimously appoint Mr. Franchini as the Superintendent of Insurance in 2013, and again unanimously re-appoint the Superintendent to continue serving in his capacity in March, 2016.

Franchini has nearly 40 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.

After joining New Mexico Mutual in 2002, Franchini was eventually named vice president of government and industry affairs. During his time 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.

A member of the Leadership New Mexico Class of 2007, a former board member of the Rocky Mountain Insurance Information Association, and a past president of the New Mexico Insurance Association, Franchini remains committed to the insurance industry. Currently, he serves on the New Mexico Health Insurance Exchange Board of Directors, as well as the Chairman of the Board of Directors for the New Mexico Medical Insurance Pool, and as a member of the Federal Insurance Office, Federal Advisory Committee on Insurance (FACI).

Franchini is a native New Mexican and a graduate of Creighton University in Omaha, NE.

Agency Description

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.

The agency is comprised of 15 bureaus and sections, and has one hundred and nineteen full-time equivalent (FTE) positions authorized by the General Appropriations Act which includes seventeen 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 and nineteen FTE positions are currently GOVEX positions.

The OSI continues 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 agency staff members are currently located in the old PERA building in Santa Fe. During the last fiscal year, OSI expanded its office spaces and established an office in Albuquerque which houses federally funded and MOU positions.

The Office of Superintendent of Insurance also expanded further in Albuquerque to house its Insurance Fraud Bureau, in addition to a current satellite office in Las Cruces for one Special Agent of the Insurance Fraud Bureau.

The Office of Superintendent of Insurance works diligently to consider many different perspectives in its regulatory activities, creating and working with advisory groups comprised of varied members from the consumer advocacy community, insurance agents or brokers, service providers, or business owners. Some of the agency’s advisory groups include: the Health Insurance Advisory Group (established in 2013), the Network Adequacy Group (established in 2016), the NM Property & Casualty Insurance Guaranty Association (established in 2010), the NM Title Insurance Guaranty Fund (established in 2014), and the Insurance Fraud Policy Advisory Group (established in 2013).

Agency Initiatives

As a newly-created agency, the Office of Superintendent of Insurance (OSI) continues to work on revising its organizational structure to improve functionality and to attract and retain qualified insurance regulatory professionals. OSI ensures that New Mexico statutes, rules and regulations are updated and enacted to also support the implementation of the Affordable Care Act and to protect New Mexicans.

The OSI is progressing on its conversion to a paperless, web-based environment known as the OSI Paperless, Web-Based Environment Project, allowing the agency to migrate its legacy insurance IDEAL system into a new 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. The SBS supports the National Insurance Producers Registry (NIPR). This project has an anticipated full completion date of June 30, 2018 and currently stands at approximately fifty-five percent complete.

In addition, OSI is in the process of establishing a separate Actuarial 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.

The Office of Superintendent of Insurance has established the following initiatives:

- I. Continue to develop the organizational structure to improve the agency's functionality and administration by ensuring that staff has been properly placed, that staffing levels are sufficient to serve the industry, and that staff are provided with educational training opportunities for increased proficiency.
- II. Launch the new paperless system promulgated by the National Association of Insurance Commissioners known as State Based System, allowing for more efficient processing of transactions and online tools for licensing and renewals.
- III. Monitor regulatory efficiency in an effort to minimize regulatory costs.
- IV. Monitor regulatory enforcement to determine impact on the industry with respect to higher costs for consumers in an effort to maintain reasonable rates with minimized rate increases, and ensure access to quality, affordable health insurance.
- V. Continue to ensure insurance transactions and consumer grievances are processed timely, that consumers are provided education on insurance products, consumer protections and rights, and ensure access to dependable and financially sound companies, while reducing insurance fraud.

Agency Organizational Units

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 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 insurance rate filings.

Additionally, OSI has entered into a Memorandum of Understanding (MOU) with the New Mexico Health Insurance Exchange (NMHIX) to implement New Mexico law requiring OSI to provide any needed regulations or guidance on plan management and health insurance access issues. 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 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 manages the HICAP program, provides consumers with assistance on questions, concerns, and issues related to finding and keeping health insurance coverage and questions about the Health Insurance Exchange.

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 ACA-sanctioned qualified health plan insurance carriers to better serve New Mexicans:

- HICAP estimates over 50,000 New Mexicans have been reached through outreach events attended by HICAP personnel.
- Over 650 consumer assistance cases have been handled, including referral to enrollment counselors and licensed agents for health plan information, Advance Premium Tax Credit (aka subsidy) corrections, documentation issues, and referral to enforcement bureaus, as needed.
- HICAP works with the OSI Managed Health Care Bureau to refer consumers needing assistance with their coverage, claims, or pre-authorizations on existing coverage.

Agency Organizational Units

Actuarial Unit

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

The Unit is comprised of three credentialed actuaries and two non-credentialed employees performing assistant actuarial roles.

An external actuarial consulting firm continued to assist the Unit in reviewing ACA health insurance plans under the federal 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.

The Chief Actuary also serves as the Office of Superintendent of Insurance's primary administrator of the Patient's Compensation Fund.

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.

Reporting Details	FY 15	FY 16
Life and Health Rate Filings Reviewed	578	639
Property and Casualty Rate Filings Reviewed	56	107

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.

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

Reporting Details	FY 15	FY 16
Active Insurance Companies and Insurance Related Entities	2,005	1,471
Deposits		
Securities Held with Custodial Bank	\$477,631,700	\$477,114,800
Surety Bonds Held with State Treasurer	\$19,810,000	\$20,475,000
Collections		
Surplus Lines Premium Taxes	\$3,187,291	\$3,255,927
Surplus Lines Premium Tax Penalties	\$31,190	\$8,745

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.

Reporting Details	FY 15	FY 16
Complaints Received		
Property and Casualty	400	413
Life and Health	140	122
Other	65	89
Dollars Saved and/or Recovered		
Property and Casualty	\$441,598	\$316,843
Life and Health	\$134,355	\$24,155
Other	\$4,513	\$4,443

Illustrative Example of Consumer Assistance: *A consumer contacted the Consumer Assistance Bureau with concerns over a delay in a property policy cancellation and subsequent refund. The Bureau investigated the details of the consumer's claim and determined that the insurance carrier had received duplicate payments for 2 years due to dual coverage on the same property. After the Bureau contacted the insurance carrier, the carrier processed the retroactive cancellations and refunded the consumer \$3,386.64.*

Illustrative Example of Consumer Assistance: *A consumer contacted the Consumer Assistance Bureau with concerns over a lack of response concerning incorrect beneficiary reporting to the Internal Revenue Service (IRS). The Bureau investigated the details of the complaint and contacted the annuity carrier. After researching the events within the carrier's system, the carrier retracted the incorrect IRS notifications, provided corrected notifications, and issued an apology letter to the consumer.*

Agency Organizational Units

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.

FY 16 Bureau Performance Measures	Target	Result
Percent of domestic company examination reports adopted within eighteen months of the examination period	100.0%	100.0%
Percent of insurance division interventions conducted with domestic and foreign insurance companies when risk-based capital is less than two hundred percent	100.0%	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, with the set rate set at \$200.00 per company. The Property and Casualty Rate Form filing fees are required for processing 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.

Reporting Details	FY 15	FY 16
Premium Taxes and Surtaxes Collected	\$245,620,504	\$289,067,063
Assessments and Fees	\$3,376,371	\$3,754,860
Refunds (Paid & Pending)	\$39,580,900	\$122,111,349
Penalties and Fines	\$492,031	\$763,222

Agency Organizational Units

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.

Reporting Details	FY 15	FY 16
Number of Cases	542	747
Referrals to Legal/Prosecutions	8	18

FY 16 Bureau Performance Measure	Target	Result
Percent of insurance fraud bureau complaints processed and recommended for either further administrative action or closure within sixty days	88.0%	81.26%

Explanation and Action Plan: The Insurance Fraud Bureau (IFB) has been accepted into the New Mexico Law Enforcement Best Practices Accreditation Program through the New Mexico Police Chiefs Association and will be accredited by December 2016. The accreditation program requires that the IFB establish Standard Operating Procedures along with written policies and procedures that will ensure consistency in process. The IFB is working on acquiring a case management system that will streamline the process and accurately provide data for statistical analysis.

In working with the Human Resources Department, IFB has hired a case management analyst who will develop policies to address the current backlog, placing IFB on the path towards success. The IFB was successful in reclassifying its police officers from Detective and Criminal Investigators to Special Agents; this reclassification will help to attract and keep candidates of a higher caliber, allowing the Bureau to process cases in a professional and efficient manner. The Bureau is also working to hire additional prosecutors to properly meet the growing caseload of the Bureau, which will alleviate case backlog.

Agency Organizational Units

Investigations Bureau

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 Bureau 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.

Reporting Details	FY 15	FY 16
Investigation Cases	271	210
Referrals to Fraud Bureau	13	15
Enforcement Actions Taken	6	22

Illustrative Example of Enforcement Action to Protect New Mexicans: The Investigations Bureau received a consumer complaint where the consumer was concerned about potential misconduct by a bail bonds company. The Bureau and a local law enforcement agency completed an exhaustive investigation lasting several months, and it was determined that the complaint of misconduct was warranted. After the enforcement process concluded, the investigation resulted in the revocation of three bail bondsmen licenses, barring the bondsmen from doing business in the state.

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 also participates in multi-state reviews of additional life and annuity product filings.

Reporting Details	FY 15	FY 16
<i>Total Products Filed and Reviewed</i>	<i>3,174</i>	<i>3,506</i>
Health	1,367	1,678
Life	593	577
Medicare Supplement	493	501
Long Term Care	306	272
Annuity	359	297
Multi-Line	34	135
Charitable Gift Annuities	15	14
Credit Life and Disability	6	32

FY 16 Bureau Performance Measure	Target	Result
Percent of form and rate filings processed within ninety days	97.0%	97.15%

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 ACA. The bureau reviews external grievance appeals, proposes rule amendments, and also takes appropriate enforcement actions where merited.

Reporting Details	FY 15	FY 16
Dollars Saved for Consumers	\$299,936	\$4,645,254
Total Grievances Received	118	578

FY 16 Bureau Performance Measure	Target	Result
Number of managed healthcare outreach presentations conducted annually	100	105
Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	98.00%	96.89%

Explanation and Action Plan: The Managed Health Care Bureau restructured and targeted additional outreach opportunities during FY16, allowing the Bureau to exceed the target set. The Bureau continues to work with Staff Counsel to ensure cases are processed as efficiently and quickly as possible in an effort to meet the percentage of grievances closed within the allotted timeframe, and to work with Human Resources to fill vacated positions which will assist in keeping the grievance process timely.

Illustrative Example of Consumer Assistance: *A consumer contacted the Managed Health Care Bureau seeking assistance with a complex set of medical bills due to the premature delivery of their triplet children. Although the consumer delivered at an in-network hospital, the insurance carrier initially denied the claims submitted, resulting in over \$3 million in bills being sent to the consumer. After the dedicated work of the Bureau, the carrier and the providers ultimately found a resolution, leaving the consumer responsible only for their allotted contractual deductibles and coinsurance amounts due.*

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.

Agency Organizational Units

Producer (Agent) Licensing Bureau

The Producer Licensing Bureau licenses approximately 146,000 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. Additionally, the bureau certifies New Mexico Health Insurance Exchange enrollment counselors, receiving verification of background checks and required training.

Detailed Reporting	FY 15	FY 16
<i>Total Active Licenses in NM</i>	<i>127,273</i>	<i>145,892</i>
Company Appointments	417,179	240,762
Company Appointment Cancellations	203,072	181,019
License and Appointment Renewals	870,960	1,093,566
Producer Licenses Issued	40,707	42,693
Affiliation Transactions	21,700	30,011
Continuing Education Transactions	6,321	6,690
Continued Education Courses Approved	3,000	2,910
Business Entity Licenses Issued	1,943	2,145
ACA Certifications	206	223

FY 16 Bureau Performance Measure	Target	Result
Percent of producer applications, appointments and renewals processed within ten business days	99.0%	99.84%

Agency Organizational Units

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.

FY 16 Bureau Performance Measure	Target	Result
Percent of form and rate filings processed within ninety days	99.0%	99.24%

Workers' Compensation Unit

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.

Detailed Reporting	FY 15	FY 16
Policies in Assigned Risk Pool	2,539	2,570
Amount Saved on Complaints	\$88,795	\$7,054
Inquiries Received	222	132
Formal Complaints	10	5

Agency Organizational Units

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 annual title agent and underwriter statistical reports, as well as agent audit procedures. The bureau annually assesses the insurers based on annual budget and maintenance needs. 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 title insurance regulations. The bureau regulates more than 70 licensed title insurance agents and underwriters in New Mexico and 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.

Detailed Reporting	FY 15	FY 16
Assessments and Penalties	\$873,866	\$657,000
Statistical Reports Reviewed	412	96
Inquiries Received	350	521
Inspections Performed	116	112

Revenues and Distributions

The Office of Superintendent of Insurance (OSI) collected approximately \$332 million in annual revenues in FY16, with revenues increasing \$125 million since FY14. The majority of total collections are from premium taxes and surtaxes levied on insurance companies that write policies in New Mexico. For FY17, OSI will be able to reduce its industry assessments that the Fraud and Title Bureaus assess from the prior fiscal year by 28% and 40% respectively by the agency utilizing fund balance savings from prior fiscal years' assessments.

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; in its approved operating budget, OSI utilizes approximately 3% of collected revenues.

The following OSI operations have dedicated funding:

1. Patient's Compensation Fund (PCF), which is funded by just under \$11.7 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. Moreover, about \$2.4 million has been awarded from a Memorandum of Understanding with the New Mexico Health Insurance Exchange.

Revenue Sources

- Licenses, Renewals, and Appointments
- Premium Taxes and Surtaxes
- Fines, Penalties, and Assessments
- Surplus Line Taxes
- Patients' Compensation Fund
- Continuing Education Filing Fees

Distributions and Transfers

- State General Fund
- Fire Protection Fund
- Law Enforcement Protection Fund
- Carrie Tingley Fund
- Insurance Operating Fund

Revenues Processed FY 11 – FY 16

Type of Revenue	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Licenses, Renewals, Appointments	\$16,758,130.50	\$19,112,366.71	\$19,178,370.50	\$20,798,640.54	\$22,877,205.16	\$24,810,834.25
Premium Taxes	\$169,341,739.67	\$158,244,626.84	\$141,387,833.53	\$153,118,490.18	\$208,142,416.69	\$233,405,805.47
Fines & Penalties	\$231,044.54	\$958,488.66	\$843,126.59	\$819,303.56	\$624,573.76	\$1,265,596.71
Surplus Lines Taxes	\$2,704,626.30	\$2,757,858.76	\$2,689,433.16	\$2,983,228.42	\$3,187,291.87	\$3,255,927.19
Insurance Premium Surtaxes	\$36,049,652.90	\$32,686,568.82	\$30,445,982.31	\$30,456,607.77	\$47,747,166.26	\$55,648,771.02
Assessments	\$810,861.95	\$1,682,720.43	\$2,142,551.11	\$1,338,205.13	\$2,053,596.82	\$2,404,554.83
Patient's Compensation Fund	\$10,855,690.27	\$12,188,092.37	\$11,134,060.45	\$12,433,743.99	\$12,220,654.96	\$11,683,332.42
Continuing Education	\$106,418.10	\$98,563.60	\$97,167.00	\$95,243.00	\$97,454.63	\$94,104.00
Deductions*	(\$3,038,003.51)	(\$499,326.16)	(\$634,670.34)	\$0.00	\$0.00	\$0.00
Miscellaneous	\$23,389.38	\$55,113.67	\$3,780.15	\$44,042.33	\$56,933.66	\$134,010.60
Total:	\$233,843,550.10	\$227,285,073.70	\$207,287,634.46	\$222,087,504.92	\$297,007,293.81	\$332,702,936.49

* Each revenue category is net of dishonored checks, credits, and adjustments for FY 16.

Financial Reporting

Federal Grants and Memorandum of Understanding

The Office of Superintendent of Insurance also receives financial support for operational teams through Federal Grants and a Memorandum of Understanding (MOU) with the New Mexico Health Insurance Exchange (NMHIX). Through the funding the agency receives, additional personnel who work in areas pertinent to the implementation of the Affordable Care Act (ACA) have been able to be hired. Additional positions have been authorized and the Administration Unit is working to fill the positions with qualified candidates.

Federal Grants Awarded	
Limited Competition for Affordable Care Act (ACA) Consumer Assistance	Grant Periods Vary From: 4/1/2011 to 9/30/2017
Affordable Care Act (ACA) Consumer Assistance	Total Grant Funds Awarded To-Date: \$6,051,590
Grants to Support States in Health Insurance Review – Cycle II	Total Positions Authorized: 17
Grants to Support States in Health Insurance Review – Cycle III	Total Positions Filled: 12 (including contracted position)

NM Health Insurance Exchange Memorandum of Understanding (MOU)	
MOU Period: 4/1/2011 to 12/31/2019	MOU Total Amount: \$2,445,000
Total Positions Authorized: 9 (5 positions filled)	MOU FY 18 Budget Request Amount: \$420,000

Insurance Nominating Committee

New Mexico Insurance Nominating Committee

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 three times, on December 3, 2015, January 14, 2016, and on March 10, 2016. 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 mileage and per diem for the Committee is funded through the Office of Superintendent budget and administrative support is provided by Office of Superintendent of Insurance staff.

The Nominating Committee unanimously reappointed the Superintendent for another term on March 10, 2016. The current term of the Superintendent of Insurance expires on December 31, 2019.

Closing Remarks

STATE OF NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

SUPERINTENDENT OF INSURANCE

John G. Franchini - (505) 827-4299



DEPUTY SUPERINTENDENT

Robert Doucette - (505) 827-5832

The Office of Superintendent of Insurance has made significant strides towards improving the structure and function within our agency. Our personnel continue to operate with the utmost professionalism, working to serve the consumers of New Mexico with pride and dedication.

During this last fiscal year, the agency found transgressions both large and small, and staff actions resulted in over **\$1.2 million** in fines and penalties, and in over **\$4.6 million** in funds saved, recovered and/or resolved for New Mexicans. This is just one of the important ways that the agency continues to work to protect the consumers and service providers of New Mexico.

Agency personnel diligently monitor the insurance industry in New Mexico, analyzing trends and implementing changes, as appropriate, to improve insurance experiences in the state, and continue to expand our advisory committees to keep communication lines open with our stakeholders. Our bureaus remain dedicated to improving the effectiveness and efficiency of our internal procedures, and work diligently to analyze areas for improvement.

The Office of Superintendent of Insurance looks forward to the new opportunities in insurance regulation in the coming years, ready to face any challenges with a team that is eager to continue their commitment to the residents and businesses of New Mexico.

With regards,

John G. Franchini
Superintendent of Insurance

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NEW MEXICO | OFFICE OF
SUPERINTENDENT
OF INSURANCE

Office of Superintendent of Insurance

John G. Franchini, Superintendent

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