



2017 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, 2017

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, 2017. 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 our agency continues to achieve, and since our separation from the Public Regulation Commission, we have worked diligently for the public, including increasing annual revenues collected through our agency by \$140 million since FY 14, with over \$707 million in funds distributed into the State General Fund since FY14; helping New Mexico's consumers and service providers save and/or recover over \$8.6 million through our consumer assistance bureaus; contributing to the reduction in the number of uninsured individuals due to the Affordable Care Act, with our plans being in among the lowest cost health insurance plans for individuals in the United States. Our agency continues to combat insurance fraud with a greater number of joint operations, prosecutions, and convictions, and we remain a financially sound agency, implementing new technology resources and web-based tools 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

Vicente Vargas
General Counsel

Jolene Gonzales
Chief Administrative Officer

Bryan Maestas
Chief Financial Officer

Alan Seeley
Chief Property & Casualty Actuary

Margaret “Kika” Pena
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 18 bureaus and sections and has one hundred, and twenty-five 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 twenty-five 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), and the Multi-Jurisdictional Auto Theft Law Enforcement Task Force (established in 2016).

Agency Initiatives

As a relatively young 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. OSI also continues to complete in-depth evaluations of departments and legacy processes to highlight areas of potential improvement or deficiencies.

The OSI has progressed on its conversion to a paperless, web-based environment 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. This project has resulted in data migration and highlighted areas for further enhancement, and the transition to SBS is complete as of June 30, 2017, with a public go-live date of July 1, 2017. The implementation of the SBS programs will continue to require monitoring and maintenance through 2018.

Also, OSI established a separate Actuarial Unit that performs and oversees 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 products within the insurance marketplace.

OSI has established and continues to make progress on 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 is 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 to minimize regulatory costs.
- IV. Monitor regulatory enforcement to determine the impact on the industry concerning higher costs for consumers 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

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 16	FY 17
Life and Health Rate Filings Reviewed	639	709
Property and Casualty Rate Filings Reviewed	107	105

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.

Under 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 16	FY 17
Active Insurance Companies and Insurance Related Entities	1,471	1,480
Deposits		
Securities Held with Custodial Bank	\$477,114,800	\$552,385,331
Surety Bonds Held with State Treasurer	\$20,475,000	\$23,280,000
Collections		
Surplus Lines Premium Taxes	\$3,255,927	\$3,422,852
Surplus Lines Premium Tax Penalties	\$8,745	\$4,808

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 another insurance licensee.

Reporting Details	FY 16	FY 17
Complaints Received		
Property and Casualty	413	438
Life and Health	122	87
Other	89	66
Dollars Saved and/or Recovered		
Property and Casualty	\$316,843	\$538,702
Life and Health	\$24,155	\$136,236
Other	\$4,443	\$158,226

Illustrative Example of Consumer Assistance: *A consumer contacted the Consumer Assistance Bureau regarding a claim due to a house fire. The consumer hired a public adjuster to assist in claim resolution. However, the adjuster failed to provide the services required. The Bureau investigated the details of the consumer's claim and dispute and assisted in resolution to allow the claim to be adjusted fully and the consumer's home to be rehabilitated expeditiously.*

Illustrative Example of Consumer Assistance: *A consumer contacted the Consumer Assistance Bureau after a denial of coverage for damage to their home. While deployed in Afghanistan, the consumer's home experienced a burst pipe which flooded the home and caused extensive damage. The insurance company was denying coverage based on an exclusion in the policy. The Bureau contacted the company, reviewed the details, and the company subsequently reversed their denial and authorized repairs. This resulted in savings for the consumer in excess of \$100,000.*

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 17 Bureau Performance Measures	Target	Result
Percent of domestic company examination reports adopted within eighteen months of the examination period	100.0%	75.0%
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%

Explanation and Action Plan: The performance measure target was missed by 12 days due to IT and Corporate Governance issues with a company examination. The company failed to provide adequate responses to all of the IT and Corporate Governance issues. Also, examinations did not receive specific plans from the company for their resolution of these issues timely. These issues have now been resolved with the company and examination timelines are back on-track.

Agency Organizational Units

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 16	FY 17
Premium Taxes and Surtaxes Collected	\$289,067,063	\$311,149,046
Assessments and Fees	\$3,754,860	\$3,232,521
Refunds (Paid & Pending)	\$122,111,349	\$51,408
Penalties and Fines	\$763,222	\$921,768

Agency Organizational Units

Health Policy & Consumer Education Bureau

The Office of Superintendent of Insurance (OSI) has received two grants under the Affordable Care Act (ACA) to assist OSI in enhancing its health insurance rate review processes and assist consumers with understanding their health insurance options. These grants have allowed the Health Policy & Consumer Education Bureau (HPCEB) to hire health policy, economic and outreach-specialized staff, and to develop online tools for consumer education, transparency, and support. Some of these online tools include: www.nmhealthratereview.com, a website that provides consumers with information and feedback opportunities on health insurance rate filings, www.PD.OSI.state.nm.us, a website that provides an all-carrier provider directory, and working towards developing a health plan comparison tool wherein consumers will be able to view a side-by-side comparison of health insurance plan options available through the beWellnm or Healthcare.gov marketplace.

Additionally, OSI has entered into a Memorandum of Understanding (MOU) with the New Mexico Health Insurance Exchange (NMHIX), known as beWellnm, to implement New Mexico law requiring OSI to provide needed regulations and guidance on plan management and health insurance access issues. In carrying out these duties, the HPCEB works closely with OSI leadership and all other bureaus involved in health insurance providing evidence-based health policy recommendations and decisions, legal opinion, research, consumer education, and legislative outreach. The Health Policy & Consumer Education Bureau is tasked with also developing numerous new initiatives within OSI related to health insurance reform and response to ongoing, ever-changing federal proposed or implemented changes.

As the Affordable Care Act has not been repealed, and the state remains responsible for implementation and enforcement of its provisions, the HPCEB remains vital to the support of health insurance in New Mexico. If the state's capacity to enforce the ACA or any future changes to the law has become significantly diminished, the state risks federal takeover of our health insurance qualified health plan regulatory functions. The states that have ceded control over health insurance marketplace regulation to the federal government have seen far less competition, affordability, and consumer protection in their health insurance markets.

The outreach, including the annual Health Insurance Road Show which partners with beWellnm and insurance carriers, research, regulatory review and action, education, and outreach that continues to be at the forefront of this bureau's duties will continue to increase as health insurance becomes more complex and as new federal changes are implemented. Protecting New Mexicans and addressing consumer issues including access to care, continuing to convene stakeholder committees for an inclusive approach to health policy regulation will continue to be vital to researching and supporting market stability and solvency in the future.

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 16	FY 17
Number of Cases	747	798
Referrals to Legal/Prosecutions	18	29

FY 17 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%	61.4%

Explanation and Action Plan: The Insurance Fraud Bureau (IFB) worked tirelessly over a nearly two-year period and achieved accreditation from New Mexico Law Enforcement Best Practices Accreditation Program through the New Mexico Police Chiefs Association in December 2016. The IFB established Standard Operating Procedures along with written policies and protocols that will ensure consistency in processes. Additionally, the bureau acquired a new case management system that will streamline the process, provide data for statistical analysis and make referral intake more efficient.

The IFB missed its target performance measure because it does not have the appropriate infrastructure, equipment, or enough personnel in place to manage the enormity and complexity of the bureau's caseload. The IFB has one Special Agent position unfilled, thus causing a heavier caseload burden on the active agents. In addition to the larger and more complex caseload, the IFB has increased investigations from 18.5% of referrals received to 44.2%, and with a lack of a currently functioning case management system, the current processes and procedures add to the amount of administrative burden. The new case management system that the IFB has acquired will help improve operations tremendously and is expected to be fully implemented by early 2018.

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 16	FY 17
Investigation Cases/Referrals	210	397
Referrals to Fraud Bureau/Legal	15	3
Enforcement Actions Taken	22	0

Illustrative Example of Consumer Assistance: *The Investigations Bureau received a consumer complaint referral where a licensed insurance agent was suspected to be falsifying her continuing education credits. The Bureau investigated, contacted the agent, and she promptly admitted to her wrongdoing. The Bureau made a recommendation that the agent be put on a one-year probation.*

Illustrative Example of Consumer Assistance: *The Investigations Bureau received a consumer complaint referral from the Consumer Assistance Bureau where an insurance company had denied coverage for an incident. The police report in this instance assigned liability on the part of the company's insured, however, the company was denying coverage due to an inability to contact their insured. After the Investigations Bureau contacted the company, it agreed that liability was clear and ultimately paid the claim.*

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 16	FY 17
<i>Total Products Filed and Reviewed</i>	<i>3,506</i>	<i>3,532</i>
Health	1,678	1,753
Life	577	525
Medicare Supplement	501	554
Long-Term Care	272	284
Annuity	297	246
Multi-Line	135	124
Charitable Gift Annuities	14	14
Credit Life and Disability	32	11

FY 17 Bureau Performance Measure	Target	Result
Percent of form and rate filings processed within ninety days	97.0%	97.03%

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 16	FY 17
Dollars Saved for Consumers	\$4,645,254	\$490,616
Total Grievances Received	578	433

FY 17 Bureau Performance Measure	Target	Result
Number of managed healthcare outreach presentations conducted annually	115	54
Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	98.00%	92.84%

Explanation and Action Plan: The Managed Health Care Bureau experienced vacancies and extended, unexpected personnel absences which limited its ability to meet its target outreach measure and due to its limited staffing, has requested the measure to be adjusted to an achievable number of events for upcoming years. 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 an emergency care situation where, due to an accident, the consumer was transported to El Paso for care. This resulted in an extended hospitalization, and once the consumer was discharged and recovering, they began to receive large, unexpected balance bills for collection from the providers after the insurance company had processed the claim. The Bureau reviewed the complaint and details of the claim, and discovered that, despite being an emergency case, the claim had been processed with payment made for out-of-network benefits rather than in-network, thus leaving a large balance due. After reviewing again and working with the Bureau, the insurance company reprocessed the claim, paid the facility, and the consumer was left with only their contractual cost-sharing amount, which saved the consumer over \$85,000.*

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 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 16	FY 17
<i>Total Active Licenses in NM</i>	<i>145,892</i>	<i>157,482</i>
Company Appointments	240,762	231,697
Company Appointment Cancellations	181,019	229,315
License and Appointment Renewals	1,093,566	876,196
Producer Licenses Issued	42,693	45,446
Affiliation Transactions	30,011	24,749
Continuing Education Transactions	6,690	6,039
Continued Education Courses Approved	2,910	2,347
Business Entity Licenses Issued	2,145	5,674

FY 17 Bureau Performance Measure	Target	Result
Percent of producer applications, appointments, and renewals processed within ten business days	99.0%	99.93%

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 17 Bureau Performance Measure	Target	Result
Percent of form and rate filings processed within ninety days	99.0%	99.56%

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 16	FY 17
Policies in Assigned Risk Pool	2,570	2,272
Inquiries Received	132	98
Formal Complaints	5	11

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 16	FY 17
Assessments and Penalties	\$657,000	\$524,700
Statistical Reports Reviewed	96	147
Inquiries Received	521	343
Inspections Performed	112	72

Revenues and Distributions

The Office of Superintendent of Insurance (OSI) collected approximately \$362 million in annual revenues in FY17, with revenues increasing \$140 million since FY14. The majority 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; in its approved operating budget, OSI utilizes only a small portion of collected revenues.

The following OSI operations have dedicated funding:

1. Patient's Compensation Fund (PCF), which is funded by \$21.5 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. Also, the PCF provides support to Insurance Operations for administration costs.
2. Insurance Fraud Fund, which is funded by assessments collected from authorized 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 12 – FY 17

Type of Revenue	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Licenses, Renewals, Appointments	\$19,112,366.71	\$19,178,370.50	\$20,798,640.54	\$22,877,205.16	\$24,810,834.25	\$23,636,306.81
Premium Taxes	\$158,244,626.84	\$141,387,833.53	\$153,118,490.18	\$208,142,416.69	\$233,405,805.47	\$257,578,174.70
Fines & Penalties	\$958,488.66	\$843,126.59	\$819,303.56	\$624,573.76	\$1,265,596.71	\$926,577.23
Surplus Lines Taxes	\$2,757,858.76	\$2,689,433.16	\$2,983,228.42	\$3,187,291.87	\$3,255,927.19	\$3,422,600.35
Insurance Premium Surtaxes	\$32,686,568.82	\$30,445,982.31	\$30,456,607.77	\$47,747,166.26	\$55,648,771.02	\$53,570,872.12
Assessments	\$1,682,720.43	\$2,142,551.11	\$1,338,205.13	\$2,053,596.82	\$2,404,554.83	\$1,673,995.67
Patient's Compensation Fund	\$12,188,092.37	\$11,134,060.45	\$12,433,743.99	\$12,220,654.96	\$11,683,332.42	\$21,524,689.87
Continuing Education	\$98,563.60	\$97,167.00	\$95,243.00	\$97,454.63	\$94,104.00	\$94,240.00
Deductions*	(\$499,326.16)	(\$634,670.34)	\$0.00	\$0.00	\$0.00	(\$178,640.10)
Miscellaneous	\$55,113.67	\$3,780.15	\$44,042.33	\$56,933.66	\$134,010.60	\$19,113.75
Total:	\$227,285,073.70	\$207,287,634.46	\$222,087,504.92	\$297,007,293.81	\$332,702,936.49	\$362,267,960.40

* Each revenue category is net of dishonored checks, credits, and adjustments for FY 17.

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 10/30/2018
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: 7 (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

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 one time on April 20, 2017. Meeting discussions included the appointment of a new chairperson, agency annual financial audit overview, proposed legislation, updates on fraud efforts, title insurance, health insurance research and policy, and the agency budget.

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 of our agency. Our personnel continues 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 nearly **\$1 million** in fines and penalties, and in over **\$1.3 million** in funds saved, recovered and 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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