

OFFICE OF SUPERINTENDENT OF INSURANCE

FISCAL YEAR 2026 BUDGET REQUEST

Presented by Superintendent Alice T. Kane
Legislative Finance Committee
November 21, 2024



OSI Mission and Vision



- **Vision:** The vision of OSI is to become a leading state insurance regulatory agency. OSI will do everything in its power to ensure that New Mexicans are treated with fairness and honesty by all insurers operating in New Mexico.
- **Mission:** OSI's mission is to provide consumers with access to insurance products with appropriate coverage, underwritten by financially sound companies with reasonable rates and are represented by qualified and trustworthy producers. OSI is committed to consumer protection through consumer assistance, enforcement and the deterrence and prosecution of insurance fraud.





FY23/24 OSI Accomplishments



- **Property and Casualty Insurance**

- Saved/recovered \$4.07 million in FY23 for consumers through the Consumer Assistance Bureau (property & casualty) and handled over a thousand cases
- Increased the FAIR Plan coverage limit from \$250,000 to \$350,000 for New Mexicans with properties who can't find coverage in the private market

- **Health Insurance**

- Saved/recovered \$807.6 thousand through the Managed Health Care Bureau and resolved 90% of cases within 180 days in FY23
- Saved consumers and small businesses \$60 million through health care affordability initiatives since the programs started

- **Enforcement**

- Collected over \$200,000 in penalties due to business entities not in compliance with regulations and statutes
- Collected \$287,500 in fines to insurers in FY24 so far for failure to comply with credentialing statute timelines

*Presented in last year's LFC Hearing presentation



OSI Accomplishments



- **Property and Casualty**

- Lead on disseminating wildfire and mitigation techniques through a coalition comprised of multiple state entities. Identified high risk catastrophic areas including wildfire, wind and hail
- Conducted numerous educational meetings to educate the science behind wildfire mitigation with a goal of maintaining a healthy insurance market

- **The Consumer Assistance (CAB)**

- Handled over 1,100 complaints recovering more than \$2.3 million for consumers
- Increased public outreach efforts, including assisting individuals impacted by catastrophic events with onsite assistance, a dedicated phoneline, and additional personnel hours. Continue to collaborate with other state and federal agencies regarding fire reduction and mitigation.
- Established an industry presence in Ruidoso for four months to assist consumers in claims processing during the wildfire emergency

- **Managed Health Care**

- Assisted over 450 consumers with their healthcare grievances, recovering over \$1.3 million for consumers

- **Financial Analysis and Examinations**

- Passed NAIC financial analysis accreditation re-review in June and retained accreditation status in August
- Hired Chief Financial Analyst, Administrator, and Financial Analyst. Engaged highly experienced third- party Chief Financial Examiner. Promoted high performing staff to supervisor



OSI Accomplishments cont'd



- **Information Technology**

- Mitigated cyber security breach
 - Performed server rebuilds and ensured systems availability; retrieval and vulnerability verification of OSI data; staff workstation reimaging and deployment; implemented OSI system wide usage of Protection Platform; firewall hardware and configuration upgrades; implemented Microsoft 365 authentications; Cyber Security training
 - Recruitment of IT essential staff: System, Network and Security/Compliance Administrators

- **Producer Licensing**

- Collected over \$3.8 million from July 2024 through October 2024 in funds including: online application fees, affiliations, penalties, name changes, address changes, and continuing educations transactions
- Processed 468,548 online application transaction, including new licenses, appointments, and license renewals from January 1 through October 31, 2024

- **Company Licensing**

- Implementation of merging the annual certificate of authority renewals and annual statement invoices into one invoice and sending to the one hundred companies that had not renewed. All one hundred companies that did not renew on time, paid penalties and were reinstated. Of the 2580 companies licensed in NM, all were renewed.

- **Life & Health**

- Collected \$296,023.08 in filing fees and increased processed product filings to 4,349 in FY24
- Reviewed, approved and certified 51 Qualified Health Plans and 9 Stand Alone Dental Plans available in New Mexico in 2024 through the Health Insurance Exchange, BeWell



OSI Accomplishments cont'd



- **Life & Health (cont'd)**

- Implemented 9 health related legislative bills that became law in 2024 to ensure access to more expanded and affordable healthcare coverage, including:
 - HB53 regarding data collection and analysis for diabetes coverage; SB132 eliminating cost-sharing for the treatment of STIs; and SB135 regarding prior authorization and step therapy requirements for medically necessary FDA approved drugs, when prescribed for the treatment of cancer and autoimmune disorders

- **Insurance Fraud & Auto-Theft Prevention**

- Hosted Multi-State Auto Theft Prevention Collaborative Conference with over 100 attendees statewide and from across the nation
- All OSI police officers, OSI Criminal Data Analyst and the Division Director passed the National Certification for Insurance Fraud Investigators and are officially CIFI certified
- Anti-Fraud Proclamation enacted by Governor Michelle Lujan Grisham
- Staff recognition: Attorney Supervisor, National Insurance Fraud Prosecutor of the Year Recipient; Agent Supervisor was elected as Vice President of the NM Chapter of International Association of Investigative Units; and Division Director, Executive Board Member of National Insurance Fraud Coalition
- OSI Law Enforcement Staff awarded second place from Lexipol for exceeding standard of excellence for training management



FY24 Challenges/Results

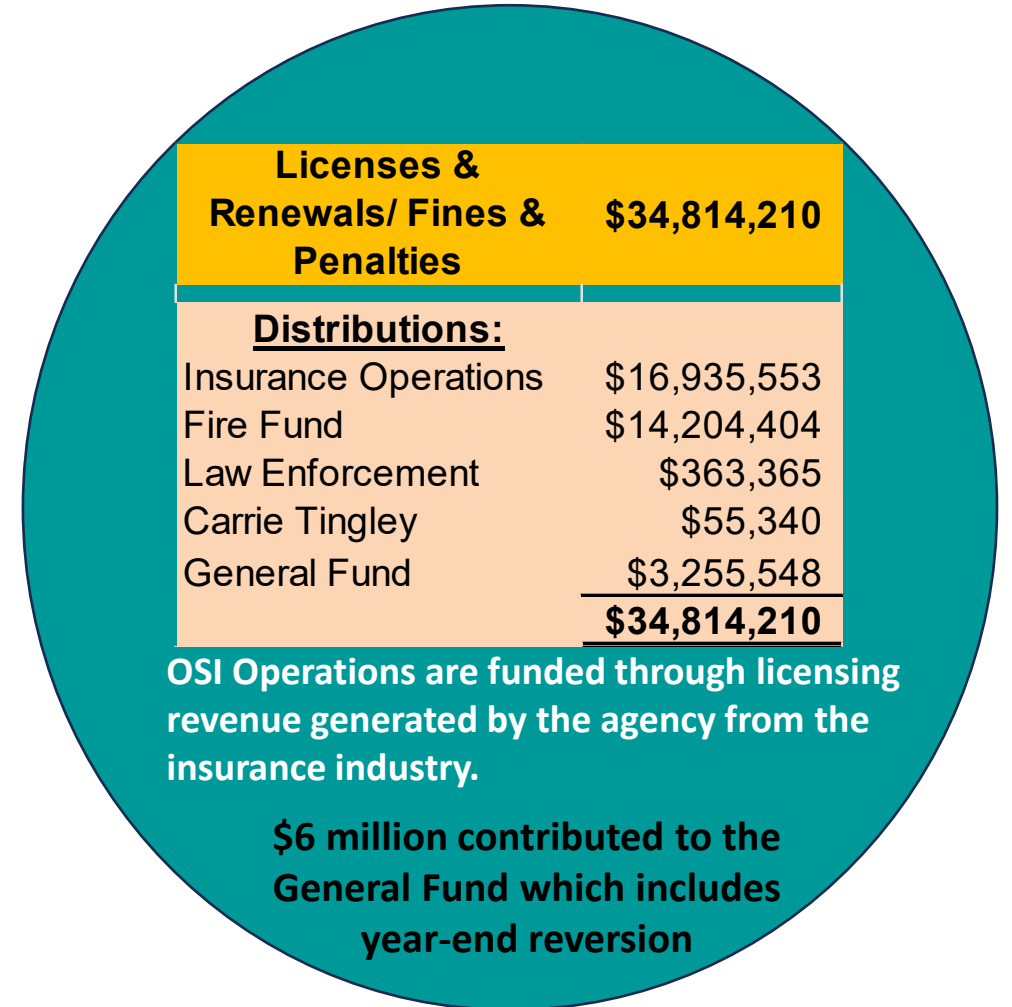


- Cyber security incident
 - *\$2 million special appropriation in FY25 for cybersecurity response and enhancement
 - Development and implementation of all full offsite disaster recovery environment
 - Working with Federal Department of Homeland Security on cyber assessments and cyber training
 - Working with contracting third party to provide independent Cyber Security assessment (General Dynamics)
 - Developing IT Cyber Security Framework
 - Re-designing OSI website including re-platforming
 - Implementing operations and cyber security tracking across all bureaus
- Improving financial analysis and examination function
 - *\$2.1 million special appropriation in FY25 for risk-focused financial analysis services
- OSI recruitment and retention efforts
 - *\$1.3 million FY25 special appropriation for salary adjustment increases to improve staff retention
 - Reduced Vacancy Rate from 34% to 13% currently
 - Attracted professionals including Chief Financial Examiner, Actuary, Pharmacist, Cyber expert and CFO
- Modernizing FAIR Plan Program initially in Lincoln County

Projected Operating Revenue



Revenue Type	FY24 Actual Collections	FY25 Projected
Licenses & Renewals	\$34,249,387	\$34,300,000
Fines & Penalties	\$564,823	\$500,000
	\$34,814,210	\$34,800,000
* Fraud Assessments	\$2,542,399	\$3,168,000
* Title Assessments	\$1,167,975	\$1,378,600
* Continuing Education	\$259,743	\$200,000
Total	\$38,784,327	\$39,546,600



*These revenues are dedicated to specific program costs.

Note: Projections are based on historic collections and trends.

FY26 OSI Budget Request



- Insurance Operations is funded by OSI Licensing Fees and Penalties. There is No General Fund impact.
- Fraud and Title Program are funded by industry assessments. These assessments are non-reverting funds.
- Insurance Operations request is a 15% increase or \$2.3 million more than the FY25 operating budget.

Insurance Operations	FY25 Operating Budget	FY26 Budget Request	Increase	% Incr
Salaries & Benefits	\$10.8m	\$12.8m	\$2m	19%
Contractual Services	\$2.8m	\$3.1m	\$300k	11%
Other Costs	\$1.9m	\$1.9m	-	-
Total FTE	94	105	11	
Total Insurance Ops	\$15.5m	\$17.8m	\$2.3m	15%
Fraud Program	\$3.2m	\$3.9m	\$752K	22%
Total FTE	16	19	3	
Title Program	\$1.3m	\$1.4m	\$100K	8%
Total FTE	4	5	1	

Insurance Operations

- \$2 million increase in salaries includes 11 additional FTE for Consumer, Licensing, IT, Actuary, Property & Casualty, Life & Health and \$1.2 million recurring funding to replace special appropriation for salary increases to improve staff retention .
- \$300 thousand increase in contracts is for Life and Health Bureau to expand rate review/analysis and compliance review, training and enforcement procedures.

Fraud: \$752 thousand increase includes 3 additional FTE and recurring funds for salary increases.

Title: \$100 thousand increase is for 1 additional FTE.

FY26 OSI Budget Request



- Patient Compensation Fund (PCF) is funded by provider and hospital surcharges.
- FY24 PCF actual settlements: \$48 million. FY25 PCF estimated settlements: \$60 million. A \$31.9 million BAR in process for additional settlements.
- FY24 PCF deficit was \$69.6 million. \$44 million General Fund special appropriations and \$19.4 million in operations reduce deficit to \$6.2 million.

PCF Program	FY25 Operating Budget	FY26 Budget Request	Increase
Contractual Services	\$2.3m	\$2.3m	-
Other Costs	\$28.2m	\$28.2m	-
Total	\$30.5m	\$30.5m	-

Revenue Transfers Between Funds	Ins Ops	PCF	Title	Fraud	Licenses & Renewals	Total
Transfers from Funds to Insurance Operations		-\$250k	-\$205.6k	-\$411k	-\$16.9m	-\$17.8m
Transfers into Insurance Operations	\$17.8m					\$17.8m

*Other Financing Uses category (500) is for the revenue transfers between funds.

FY26 OSI Recurring Budget Request



- Total recurring request is \$71.1 million with no General Fund impact. \$17.1 million for Insurance Operations and \$54 million for Fraud, Title and PCF.
- BASE Request is an 8% increase or \$5.3 million more than the FY 25 operating budget.
- Request includes an additional 15 BASE FTE and 7 expansion FTE.



OSI Budget Summary						
	FY25 Operating Budget	FY26 BASE Budget Request	Expansion	Total FY26 Request	% Incr	% Incr w/Exp
Salaries & Benefits	13.4	16.1	0.8	16.9	20%	26.1%
Contractual Services	6.1	6.3	0.4	6.7	3%	9.8%
Other Costs	30.9	30.9		30.9	0%	0.0%
Other Financing Uses	15.5	17.8	1.2	19.0	15%	22.6%
Total	\$65.8M	\$71.1M	\$2.3M	\$73.4M	8%	11.6%
Total FTE	114	129	7	136	15	22

BASE Increases Highlights



Total Recurring Increases of \$3 million includes:

Salaries and Benefits \$2.7 million increase

- ❖ \$1.5 million – 15 new positions (11 Insurance Operations, 1 Title & 4 for Fraud & Auto-Theft Program)
- ❖ \$1.3 million- Recurring funding to replace special appropriation for salary increases to improve staff retention

Contracts \$189 thousand increase

- ❖ \$200 thousand for Life and Health Division to expand rate review and rate related analysis
- ❖ \$120 thousand for Life and Health Division for compliance review and enforcement procedures training
- ❖ (\$131) thousand realignment in Fraud from contracts to other costs to cover increases in rent/DoIT rates.

Other Costs \$109 thousand increase

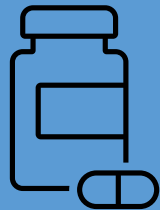
- ❖ Increases in rent and GSD/DoIT rates in Insurance Operations.

FY26 Expansion Requests \$1.15M



Data Analysis and Enforcement Support Bureau (General Fund)

- ❖ \$454.6 thousand for four (4) additional positions



Prescription Drugs and Pharmacy Benefits Bureau (General Fund)-

\$701 thousand includes:

- ❖ \$301 thousand for five (5) additional positions
- ❖ \$400 thousand for contracts to implement and enforce the requirements of the Prescription Drug Transparency Law

OSI Non-Recurring Budget Request



Health Care Consolidation Oversight Act (General Fund)

\$1.5 million for implementation costs: hiring, technical assistance, rulemaking & hearings



FAIR Plan (General Fund)

\$50 million to support enhancements to increase access to affordable property insurance



Insurance Fraud and Auto-Theft Prevention-Public Safety (Fraud Fund)

\$571 thousand for anti-fraud software, statewide auto-theft garage, gun violence safety project



Medical Malpractice Premium (General Fund)

\$18 million to attract and retain healthcare providers by improving medical malpractice premium affordability



Auto-Insurance Affordability Pilot (General Fund)

\$5 million for pilot project for financial assistance for uninsured drivers

Summary



Overall OSI Request \$130.1 million includes:

- ❖ **Recurring Request \$53.8 million**
 - **Insurance Operations Request \$17.8 million**
 - **Fraud & Auto-Theft Program Request \$3.9 million**
 - **Title Program \$1.4 million**
 - **PCF Request \$30.7 million**

- ❖ **Expansion's Request \$1.2 million**

- ❖ **Non-recurring Special Appropriations Request \$75.1 million**

Questions?

