



NEW MEXICO OFFICE OF
SUPERINTENDENT
OF INSURANCE

Premium Tax Audit Update

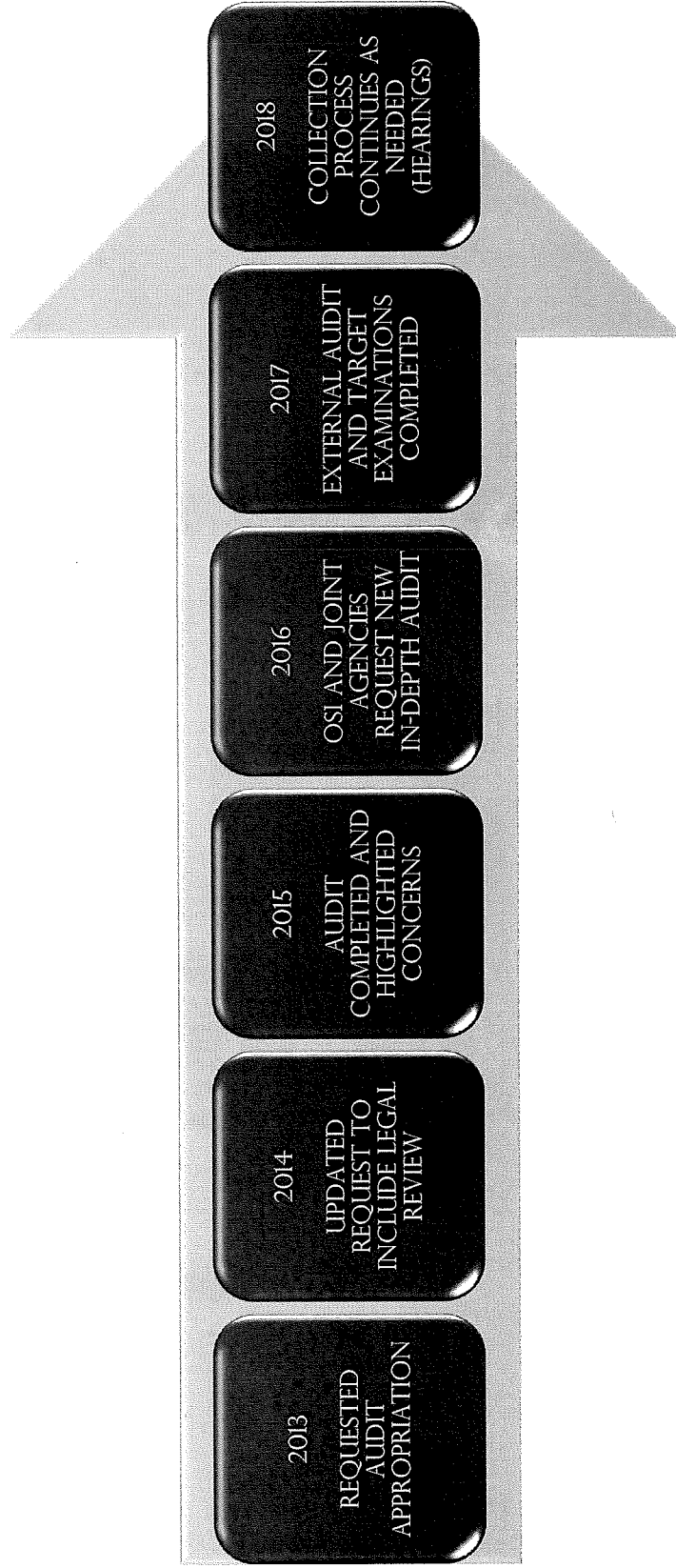
PRESENTED TO: LEGISLATIVE FINANCE COMMITTEE

ROBERT DOUCETTE, DEPUTY SUPERINTENDENT
OCTOBER 25, 2017

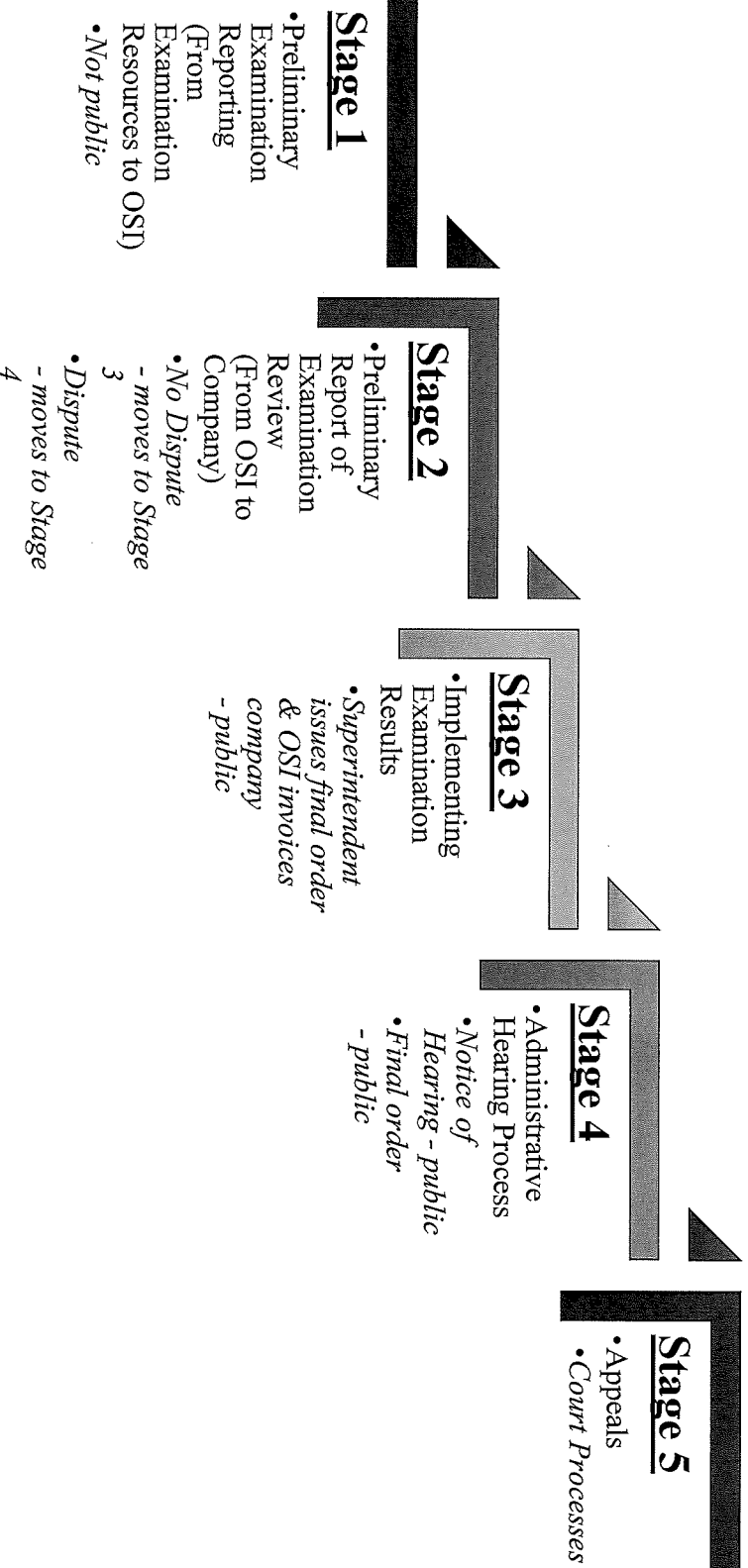
Agenda

- Timeline of Events
- Collection Process Overview
- Stages of the Collection Process
- Maintaining Confidentiality
- Closing Remarks

Timeline of Events



Collection Process Overview



Stage 1: Preliminary Examination Reporting



- Examination Resources, the selected Independent Public Accounting firm, issues the report of examination to OSI on each company examined
- Upon OSI's review and approval, OSI sends the report to the applicable insurance company for review
- This report is not public record

Stage 2: Preliminary Report of Examination Review



- Upon distribution of the company's Report of Examination, a 20-day statutory review period begins
- Applicable company may review and dispute any proposed findings within the report as it deems necessary, pursuant to NMSA 1978, § 59A-4-10(A)
 - Superintendent of Insurance (SOI) may grant a reasonable extension of the review period for good cause
- If no disputes received, SOI will issue Final Report of Examination, which IS public record, and will file in the docket

Stage 3: Implementing Examination Results



- If an underpayment has occurred, OSI issues a demand for payment
 - If company agrees to amount invoiced, upon receipt of payment, case closed
 - If company disagrees, Administrative Hearing Process may ensue (see Stage 4)
- If an overpayment has occurred, SOI orders case to remain open until notice of payment is filed by the Office of the General Counsel (OGC)
- If company's results reflect a zero balance due, case is closed by order of the Superintendent

Stage 4: Administrative Hearing Process

- If company submits written request for hearing on the Preliminary Report (see Stage 2), SOI is statutorily required to hold a hearing and provide at least 20 days' advance notice of the hearing
 - Portions of the hearing process remain a part of the confidential target examination as it takes place prior to a final order issued by the SOI
- Process may take several months, depending on the hearing
- Once hearing concludes, SOI issues a written decision granting or denying the company's requested relief and a statement of the factual and legal basis for the order
 - Order is filed in the pertinent docket as an OFFICIAL public record

Stage 5: Appeals



- Once the company has exhausted all administrative remedies available, it may file an appeal with district court within 30 days of the date of the final decision filing
- District court may set aside, reverse, or remand the final decision if it determines that:
 - the agency acted fraudulently, arbitrarily or capriciously;
 - the final decision was not supported by substantial evidence; or
 - the agency did not act in accordance with law.
- The company may seek further appeals to the court of appeals or NM Supreme Court



Maintaining Required Confidentiality

- Figures within Preliminary Examination Reporting must remain confidential
 - This is not to keep details from the public but rather to adhere to the statutes as written and adopted so that companies are given due process
 - The companies involved in the audit have been working with the external auditors to determine the premium taxes owed, which may result in calculations showing over- or under-payments in taxes to the state
- As regulators, OSI is charged with this process not only because of the authorities and confidentiality mandates in place, but because the agency understands the delicate balance that must be maintained to best serve NIM and the companies choosing to operate here



NEW MEXICO | OFFICE OF
SUPERINTENDENT
OF INSURANCE

1120 PASEO DE PERALTA | SANTA FE NM 87505
1-855-4-ASK-OSI | 505-827-4601
WWW.OSI.STATE.NM.US

	Company	Finding 2017-001	Finding 2017-002	Finding 2017-003	Finding 2017-004	Finding 2017-005	Finding 2017-006	Finding 2017-007	Total	% of Total Underpayment	
M	PHP Presbyterian Health Plan	\$ (14,347,085)	\$ (301,232)	\$ 9,434	\$ -	\$ -	\$ -	\$ -	\$ (14,286,207)	\$ (28,925,090)	44.77%
F	HCSC Mutual (Blue Cross Blue Shield Mutual Reserve)	\$ (8,440,275)	\$ -	\$ (45,065)	\$ -	\$ -	\$ -	\$ -	\$ (8,485,340)	\$ (8,485,340)	13.13%
L	Molina	\$ (8,167,648)	\$ -	\$ -	\$ -	\$ (31,175)	\$ -	\$ -	\$ (8,198,823)	\$ (8,198,823)	12.69%
C	Amerigroup	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6,948,263)	\$ (6,948,263)	\$ (6,948,263)	10.75%
R	UHC (United Healthcare Insurance Company)	\$ (3,846,605)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (3,846,605)	\$ (3,846,605)	5.95%
J	Lovelace	\$ -	\$ (3,941)	\$ (72,764)	\$ -	\$ -	\$ -	\$ (3,723,276)	\$ (3,799,980)	\$ (3,799,980)	5.88%
E	HCSC Insurance (Blue Cross Blue Shield)	\$ (1,331,349)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,331,349)	\$ (1,331,349)	2.06%
N	PIC Presbyterian Insurance Co	\$ (1,231,871)	\$ -	\$ 47,353	\$ -	\$ -	\$ -	\$ -	\$ (1,184,518)	\$ (1,184,518)	1.83%
K	Met Life	\$ (421,943)	\$ -	\$ -	\$ (708,289)	\$ -	\$ -	\$ -	\$ (1,130,232)	\$ (1,130,232)	1.75%
B	Allstate	\$ -	\$ -	\$ -	\$ -	\$ (359,685)	\$ -	\$ -	\$ (359,685)	\$ (359,685)	0.56%
O	Progressive	\$ -	\$ -	\$ -	\$ -	\$ (205,618)	\$ -	\$ -	\$ (205,618)	\$ (205,618)	0.32%
Q	State Farm Mutual	\$ (75,455)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (75,455)	\$ (75,455)	0.12%
H	John Hancock Life	\$ (111,558)	\$ -	\$ -	\$ -	\$ -	\$ 41,951	\$ -	\$ (69,607)	\$ (69,607)	0.11%
P	State Farm Fire and Casualty	\$ -	\$ -	\$ (26,627)	\$ -	\$ -	\$ -	\$ -	\$ (26,627)	\$ (26,627)	0.04%
A	Allianz Life	\$ (14,242)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (14,242)	\$ (14,242)	0.02%
I	Lincoln National Life Insurance	\$ (5,211)	\$ -	\$ -	\$ (1,712)	\$ -	\$ -	\$ -	\$ (6,923)	\$ (6,923)	0.01%
D	Delta Dental	\$ -	\$ (12,404)	\$ 7,994	\$ -	\$ -	\$ -	\$ -	\$ (4,410)	\$ (4,410)	0.01%
G	Jackson National Life Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,748	\$ -	\$ 5,748	\$ 5,748	-0.01%
		\$ (37,993,242)	\$ (317,577)	\$ (79,675)	\$ (710,001)	\$ (596,478)	\$ 47,699	\$ (24,957,746)	\$ (64,607,019)	\$ (64,607,019)	100.00%

Life and Health Insurers
Property and Casualty Insurers