

# OFFICE OF SUPERINTENDENT OF INSURANCE

## FISCAL YEAR 2027 BUDGET REQUEST

Presented by Superintendent Alice T. Kane  
Legislative Finance Committee  
November 20, 2025



# OSI Vision and Mission



- **Vision:** OSI will continue to enhance personnel, operations and technology to maintain its status as a leading insurance regulatory agency, thereby ensuring that New Mexicans have access to the insurance they need to be financially secure and are treated with fairness and honesty in all insurance matters.
- **Mission:** OSI safeguards New Mexicans by holding insurers and producers accountable to the highest regulatory standards. OSI ensures the financial strength of carriers operating in New Mexico. OSI is committed to consumer assistance and protection, civil enforcement, and the prosecution of insurance fraud.



# OSI Highlights



## Successful Recruitment and Retention

OSI is focused on managing the agency's most important asset, its employees. OSI received a special appropriation in FY25 for salary adjustments to improve staff recruitment and retention.

- OSI has been successful in recruiting staff through salary increases and filling multiple professional level positions including a Chief Financial Examiner, Medical Director, Chief Actuary, Chief Economist and Pharmacist.
- OSI has reduced the vacancy rate and improved retention of qualified personnel.
  - ✓ From September 2023 to June 2025 OSI processed 79 compensation actions and reduced the vacancy rate from 32% (36 vacant) to 10.9% (13 vacant) current.

## NAIC Financial Accreditation Standards

- The Financial Regulation and Examinations Division received funding for financial analysis, training, technical assistance, secondary reviews and company oversight that has been critical to the agency maintaining its accreditation status under the National Association of Insurance Commissioners' accreditation standards.

## OSI Response to Salt and South Fork Wildfires in Ruidoso and Surrounding Area

- In-person assistance to wildfire victims for five months, established an 800-emergency hotline and a dedicated webpage.
- Supported over 400 consumers, and processed over 200 formal complaints, which resulted in recoupment of approximately \$4M dollars in consumer restitution.



# OSI Highlights



## Response to CYBER Incident

- Contract with cyber experts to identify the threat actors that breached the network.
- Implement forensic analysis of all servers and employee workstations.
- Conduct two independent assessments to identify shortcomings and strengthen our security policies.
- Recruit a CIO and security analyst from DOIT.
- Replace legacy equipment, including firewalls, network equipment and employee workstations.
- Joined the statewide security operations center to proactively identify and remediate security threats.

## Insurance Fraud & Auto-Theft Prevention Program

The Insurance Fraud Program focuses on protecting New Mexico consumers by investigating, preventing and prosecuting auto-theft, enforcing strict standards for honesty and reliability in all insurance transactions, and holding offenders accountable. Overall investigations and prosecutions to-date in 2025 have already outpaced 2024's overall totals. The statewide auto theft rate has dropped 15% since 2022 but remains the third-worst in the country. Rates in Albuquerque, Santa Fe, and Las Cruces all fell in 2024, but all three cities remain among the lowest rated 25 cities in the nation. Outreach and prevention efforts across the state continue.



# OSI Highlights



## **Life and Health Division**

OSI established the Pharmacy Benefits & Drug Compliance Bureau to implement the Prescription Drug Price Transparency Act, strengthening accountability among drug manufacturers, Pharmacy Benefit Managers, insurers, and related entities. Funding also supported actuarial services for health insurance rate reviews supporting 25 Qualified Health and 10 Stand-Alone Dental Plans for the 2026 Plan Year and reviewed 2,679 life, annuity, and health insurance filings. OSI also established a Mental Health Parity section to spearhead in-depth compliance reviews under state and federal law exemplifying New Mexico's role as a national leader in providing mental health parity protections.

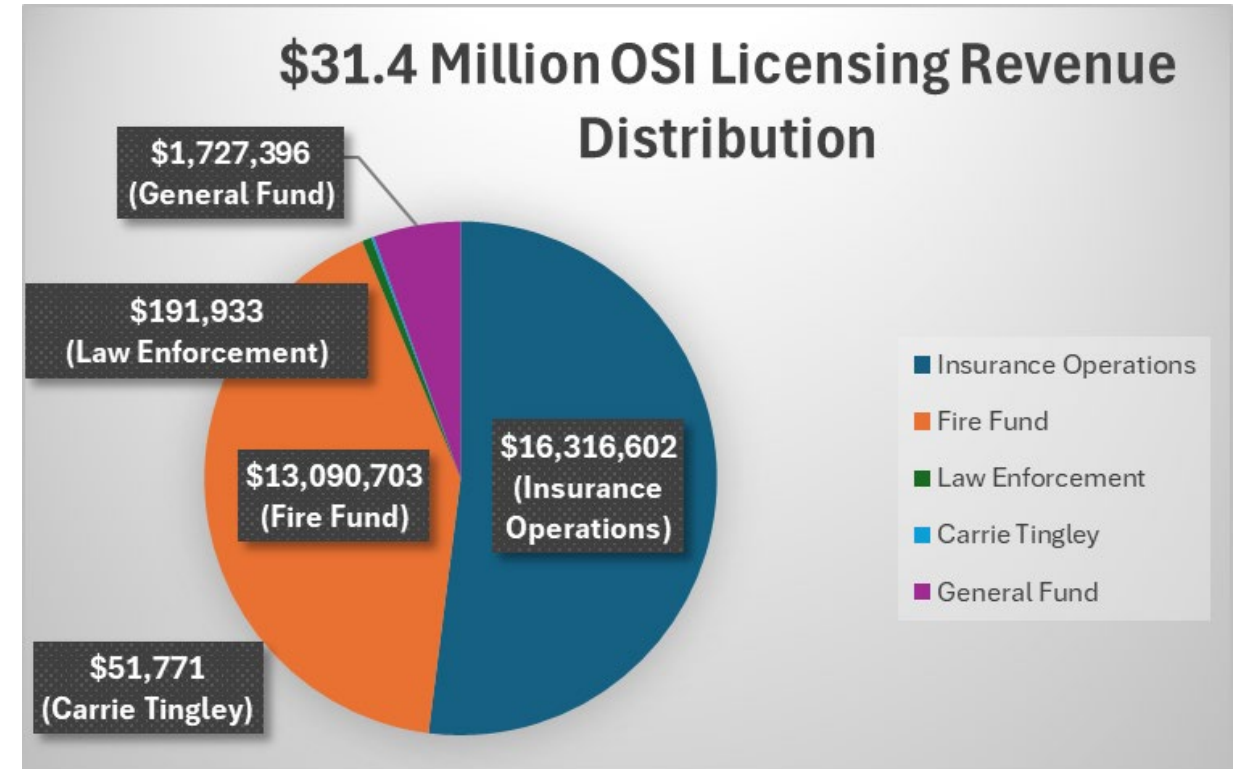
## **Producer & Company Licensing Division**

The Producer Licensing Bureau is responsible for resident and non-resident agent and agencies that want to conduct insurance business in New Mexico. There are over 280 thousand individual licenses and over 10 thousand business entities that this bureau must maintain and review the initial application, renewal application, and continuing education for resident agents. The Company Licensing Bureau oversees more than \$611 million in insurance company deposits for the protection of New Mexico policyholders and creditors.

# Projected Operating Revenue



Revenue Type	FY25 Actual Collections	FY26 Projected
Licenses & Renewals	\$30,127,202	\$30,200,000
Fines & Penalties	\$1,251,202	\$1,300,000
	<b>\$31,378,404</b>	<b>\$31,500,000</b>
* Fraud Assessments	\$2,312,593	\$2,365,100
* Title Assessments	\$1,216,872	\$1,402,000
* Continuing Education	\$195,473	\$95,000
<b>Total</b>	<b>\$35,103,342</b>	<b>\$35,362,100</b>



OSI operations are funded through revenue generated through industry assessments and fees from companies OSI regulates.

\*These revenues are dedicated to specific program costs.

**Note:** Projections are based on historic collections and trends.

**\$2.7 million contributed to the General Fund which includes year-end reversion**

# Insurance Operations



- Insurance Operations is funded by OSI Licensing Fees and Penalties. There is **No General Fund impact**.
- Insurance Operations FY27 budget request is a **16% increase** or **\$2.7 million** more than the FY26 operating budget.

Operations	FY26 Operating Budget	FY27 Budget Request	Increase	% Incr
<b>Salaries &amp; Benefits</b>	<b>\$11.9M</b>	<b>\$13.5M</b>	<b>\$1.6M</b>	<b>14%</b>
<b>Contractual Services</b>	<b>\$3.1M</b>	<b>\$3.9M</b>	<b>\$855K</b>	<b>28%</b>
<b>Other Costs</b>	<b>\$1.9M</b>	<b>\$2.1M</b>	<b>\$225.1K</b>	<b>12%</b>
<b>Total FTE</b>	<b>100</b>	<b>105</b>	<b>5</b>	<b>5%</b>
<b>Insurance Operations</b>	<b>\$16.8M</b>	<b>\$19.6M</b>	<b>\$2.7M</b>	<b>16%</b>

## Insurance Operations \$2.7M increase:

- **\$1.6M** increase in salaries: **\$500K** recurring dollars for salary increases from special appropriation to improve staff retention; **\$600K** for 4 FTE for Insurance Operations Enforcement and 1 FTE for cyber security; **\$296.1K** for permanent implementation of employee health insurance premium SB376 and **\$233K** for GSD/DoIT rate increases.
- **\$855K** increase in contracts: **\$255K** for cyber security experts; **\$500K** for the Financial Analysis and Examination services to comply with NAIC accreditation standards; **\$100K** for continued development of the Vaccine Purchasing Act application.
- **\$225K** increase in other costs for GSD/DoIT rate increases.

# Fraud & Title Program



- Fraud and Title Program are funded by industry assessments and are non-reverting funds.
- **Fraud Program's** Budget Request is a 23% increase or \$744.6 thousand more than the FY26 Operating Budget.
- **Title Program's** Budget Request is a 16% increase or \$222.7 thousand more than the FY26 Operating Budget.

Program	FY26 Operating Budget	FY27 Budget Request	Increase	% Incr
<b>Salaries &amp; Benefits</b>	<b>\$2.2M</b>	<b>\$2.8M</b>	<b>\$587K</b>	<b>26%</b>
<b>Contractual Services</b>	<b>\$24.1K</b>	<b>\$64.1K</b>	<b>\$40K</b>	<b>166%</b>
<b>Other Costs</b>	<b>\$669.8K</b>	<b>\$637.4K</b>	<b>-\$32.4K</b>	<b>-5%</b>
<b>Admin overhead costs</b>	<b>\$261K</b>	<b>\$411K</b>	<b>\$150K</b>	<b>57%</b>
<b>Total FTE</b>	<b>14</b>	<b>16</b>	<b>2</b>	<b>14%</b>
<b>Fraud Program</b>	<b>\$3.2M</b>	<b>\$3.9M</b>	<b>\$744.6K</b>	<b>23%</b>
<b>Salaries &amp; Benefits</b>	<b>\$571.4K</b>	<b>\$698.2K</b>	<b>\$126.8K</b>	<b>22%</b>
<b>Contractual Services</b>	<b>\$538.6K</b>	<b>\$538.6K</b>	<b>\$0K</b>	<b>0%</b>
<b>Other Costs</b>	<b>\$86.4K</b>	<b>\$182.3K</b>	<b>\$95.9K</b>	<b>111%</b>
<b>Admin overhead costs</b>	<b>\$205.6K</b>	<b>\$205.6K</b>	<b>\$0K</b>	<b>0%</b>
<b>Total FTE</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>0%</b>
<b>Title Program</b>	<b>\$1.4M</b>	<b>\$1.6M</b>	<b>\$222.7K</b>	<b>16%</b>

## Fraud \$744.6 thousand increase:

- **\$587K in salaries:** \$225K recurring funds for salary increases, \$255K for 2 additional FTE, \$76.7K for insurance premium, \$30.3K for GSD/DoIT rate increases.
- **\$40K in contracts** for a realignment of the MOU for emergency dispatch services from the other costs category.
- **-\$32K** in other costs category for the \$40K realignment of the MOU to contracts and the increase of \$7.6K in GSD/DoIT rates.
- **\$150k** in other financing uses category for admin overhead costs.

## Title \$222.7 thousand increase:

- **\$126.8K** in salaries: \$100K recurring funds for salary increases, \$13.5K for insurance premium, \$13.3K for rate increases.
- **\$95.9K** in other costs category for 2 vehicles to perform plant inspections and escrow audits and rate increases.



# Patient Compensation Fund



- Patient Compensation Fund (PCF) is funded by provider and hospital surcharges.
- **Increase of \$74.2M** is for PCF claims and settlement costs. In the past, these settlement costs were covered through the BAR process.
- **\$648.9K** is for 4 claim adjusters and 1 attorney for claims operations.

PCF Program	FY25	FY25	FY26	FY27	Increase
	Actuals	Operating Budget	Operating Budget	Budget Request	
<b>5 Claims Staff for Operations</b>	\$0.0	\$0.0	\$0.0	\$648.9K	\$648K
<b>Contracts</b>	\$2.1M	\$2.3M	\$2.3M	\$2.3M	\$0.0
<b>PCF Fund Settlements &amp; Operations</b>	\$121.3M	\$28.2M	\$28.2M	\$102.4M	\$74.2M
<b>PCF BAR for Settlements*</b>	\$0.0	\$103.3M	\$64.0M	\$0.0	\$0.0
<b>Pending Year-End BAR for Settlements</b>	\$0.0	\$0.0	\$10.8M	\$0.0	\$0.0
<b>Total Budget</b>	<b>\$123.4M</b>	<b>\$133.8M</b>	<b>\$105.3M</b>	<b>\$105.3M</b>	<b>\$0.0</b>

## Non-Recurring Special Appropriation for Independent Medical Providers, Group Practices and Rural Hospitals



- **\$30M** in 2022 and **\$32.5M** in 2023, eliminated the PCF deficit for independent physicians and surgeons
- **\$15.4M** to address high medical malpractice insurance premiums for individual providers and independent group practices in 2024.
- **\$8.1M** to reduce PCF surcharges for rural hospitals throughout the state in 2025.
- **\$5M** to again reduce high medical malpractice insurance premiums in 2026.



# Recurring Budget Request Summary

**\$150.5M** recurring request with no General Fund impact.

- **\$105.3M** PCF, **\$19.6M** Insurance Operations, **\$3.9M** Fraud, **\$1.6M** Title, \$614K Federal Grant, \$400K NMHIX MOU, \$73K Continuing Ed and **\$18.4M** Special Revenue

OSI Budget Summary					
	FY26 Operating Budget	FY27 BASE Budget Request	Increase for PCF	Increase for Insurance Operations	% Increase (Insurance Ops)
<b>Salaries &amp; Benefits</b>	\$14.8M	\$17.7M	\$648.9K	\$2.3M	19%
<b>Contractual Services</b>	\$6.8M	\$7.8M		\$1.0M	16%
<b>PCF Settlement Costs</b>	\$28.2M	\$102.4M	\$74.1M		
<b>PCF BAR for Settlements</b>	\$74.9M	\$0M			0%
<b>Other Costs</b>	\$2.6M	\$3.0M	\$100K	\$300K	11%
<b>Other Financing Uses</b>	\$16.6M	\$19.6M		\$3.0M	18%
<b>Total</b>	<b>\$143.9M</b>	<b>\$150.5M</b>	<b>\$74.9M</b>	<b>\$6.6M</b>	<b>5%</b>
<b>Total FTE</b>	<b>118</b>	<b>130</b>	<b>12</b>		<b>10%</b>

**\$81.5M** recurring increase

- **\$74.9M** PCF,
- **\$6.6M** Operations:
  - **\$2.7M** Insurance Operations,
  - **\$744.6K** Fraud Program,
  - **\$222.7K** Title, and **\$2.9M** Special Revenue.



# Recurring Increases for Operations



**\$3.6 million Increase for Ins Ops, Fraud and Title includes:**

## **\$2.3 million Salaries and Benefits increase**

- \$825 thousand- Recurring funding to replace special appropriation for salary increases to improve staff recruitment and retention
- \$855.4 thousand – 7 new positions (4 Insurance Operations Enforcement, 1 IT Cyber Security, 2 Fraud)
- \$386.3 thousand permanent implementation costs for 2025 SB 376 related to employee health premiums
- \$276.6 thousand for increased GSD/DOIT rates
- -\$114 thousand realign to contracts for BeWell MOU

## **\$1 million Contracts increase**

- \$250 thousand for Cyber Security experts
- \$500K for the Financial Analysis and Examination services to comply with NAIC accreditation standards
- \$100K for continued development of the Vaccine Purchasing Act application
- \$73K for an independent audit of the Continuing Education Fund
- \$114 thousand realigned from salaries for BeWell MOU

## **\$300 thousand Other Costs increase**

- \$100K for increases in rent and GSD/DoIT rates.
- \$110K for cyber recurring for subscriptions and equipment replacement
- oIT \$90K for Title Program for transportation (2 vehicles) to perform plant inspections and escrow audits

\*NOTE: Doesn't include PCF or the special revenue dual accounting (transfers between funds in the 500's.)

# Non-Recurring Special Appropriations

## FAIR Plan (General Fund)



- Reauthorization & Extension of the FAIR Plan \$10 million Special
- ◆ OSI is contracting for highly detailed mapping and risk analysis of individual homes located within high wildfire areas. This will provide the most impact for successful mitigation.
  - ◆ OSI is working to create a high efficiency mitigation workflow process.
  - ◆ OSI is actively working with agents/policyholders participating in the FAIR plan to gain access to properties needing wildfire risk assessments and mitigation.
  - ◆ OSI has collaborated with multiple state agencies to inform and educate NM constituents of how to reduce risk.
  - ◆ Projected balance at the end of FY26 \$8.75 million to carry forward to FY27.

## Litigation Expenses (OSI Licensing Revenue)



\$1 million Special Appropriation to cover litigation expenses

# Questions?

