

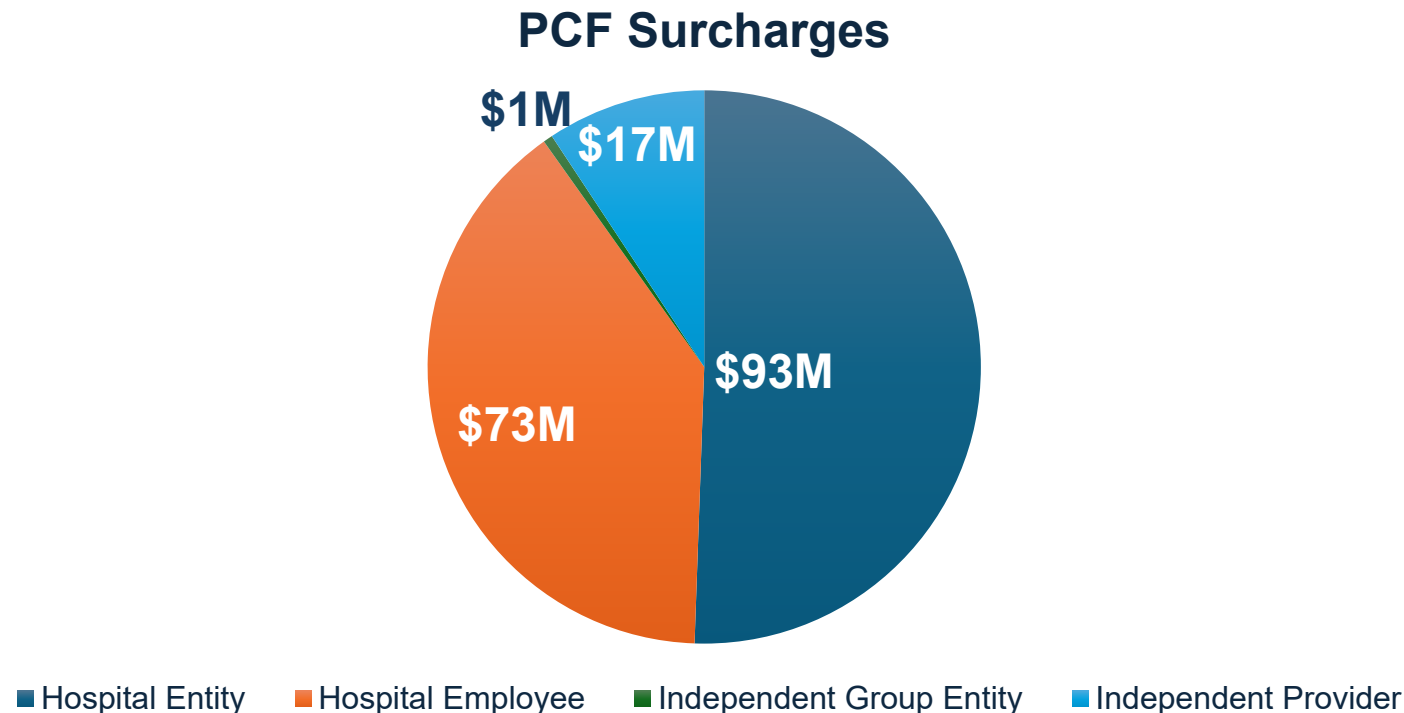
New Mexico Patients Compensation Fund Overview and Investment Strategy



OSI Presentation to the Investments and Pensions Oversight Committee
September 25, 2026

The Patients Compensation Fund Overview

- PCF was established by the NM Professional Liability Fund Act of 1976 for independent providers. Hospital joined the fund in 2016.
- The PCF participants in 2026 includes 13 hospitals, 562 independent group entities, and 5,323 individual providers and hospital employees.
- Two additional hospitals have expressed interest in joining the fund next year. A third hospital that is currently under construction has also inquired about membership in 2027.
- Annual surcharges for 2026 are \$184.6M and claim settlement payments were \$91.0M. A breakdown of the surcharges by type is below:



Layers of Coverage for PCF Participants

- Participation in the PCF provides coverage and guarantees caps on compensatory and punitive damages.
- The limits for calendar year 2026 are summarized below.

	Primary Insurance Layer	PCF Layer	Retained Layer	Total
Independent Provider Compensatory Damages	\$250,000	\$650,000	\$0	\$900,000
Hospital Compensatory Damages	\$250,000	\$500,000	\$5,250,000	\$6,000,000
Past Medical Expenses	None	Unlimited	None	Unlimited
Future Medical Expenses	None	Unlimited	None	Unlimited

Punitive Damages are not covered by insurance. Limits were introduced in 2026 with HB99. Punitive Damages are capped at the compensatory damage caps for independent providers and resident owned hospitals and at 2.5 times the compensatory damage limit for nonresident owned hospitals.

PCF Participating Carriers

The provider admission documentation and surcharge payment are the insurance carrier's responsibility (Section 41-5-25(E))

Insurance Company	PCF Members
The Doctors Company	Independent Providers
Medical Protective (Berkshire Hathaway Group)	Independent Providers
Pro Select (Coverys Group)	Hospital Association Members and Employees
American Excess Insurance Exchange	Presbyterian Hospital

TPA Operations

- The 2021 MMA required a Third-Party Administrator (TPA).
- The TPA responsibilities transitioned from Integrion to PCG in 2025/2026.
- TPA Responsibilities
 - Manage Membership Portal
 - Review Qualified Healthcare Provider Status
 - Confirm Insurance Carrier Eligibility for PCF
 - QHP Admission Decisions
 - Collect and Reconcile Surcharge Payments
 - Monitor Surcharge and QHP Membership
 - Policy Renewal and Cancellation
 - Future Medical Claim Approvals and Payments

Annual Actuarial Rate Approval Process

- Pinnacle Actuarial is a national actuarial firm with specific expertise in advising other state funds.
- Pinnacle prepares annual actuarial report with proposed surcharges for following year. Report includes review of:
 - Ten years of claims data
 - Industry rate filings and medical malpractice trends
 - Changes to PCF coverage limits
 - Review of specialty rate relativities
 - Undiscounted and discounted reserves
 - Current deficit
 - Indicated rate change for following year
- Pinnacle presents the report and recommendations to the PCF Advisory Board through an annual rate hearing.
- Board recommends annual rate changes for the individual providers and approves rate changes for hospitals.
- The Superintendent issues an order for the annual surcharge rate change.

2027 Surcharge Indications

Independent Providers

Year	Indicated Assessment Change	Offset due to Change in Class Plan	Impact of Coverage Increase	Impact of HB99*	Indicated Rate Change	Deficit Surcharge**
w/o Risk Margin	7.4%	0.0%	1.9%	-10.3%	-1.8%	14.5%

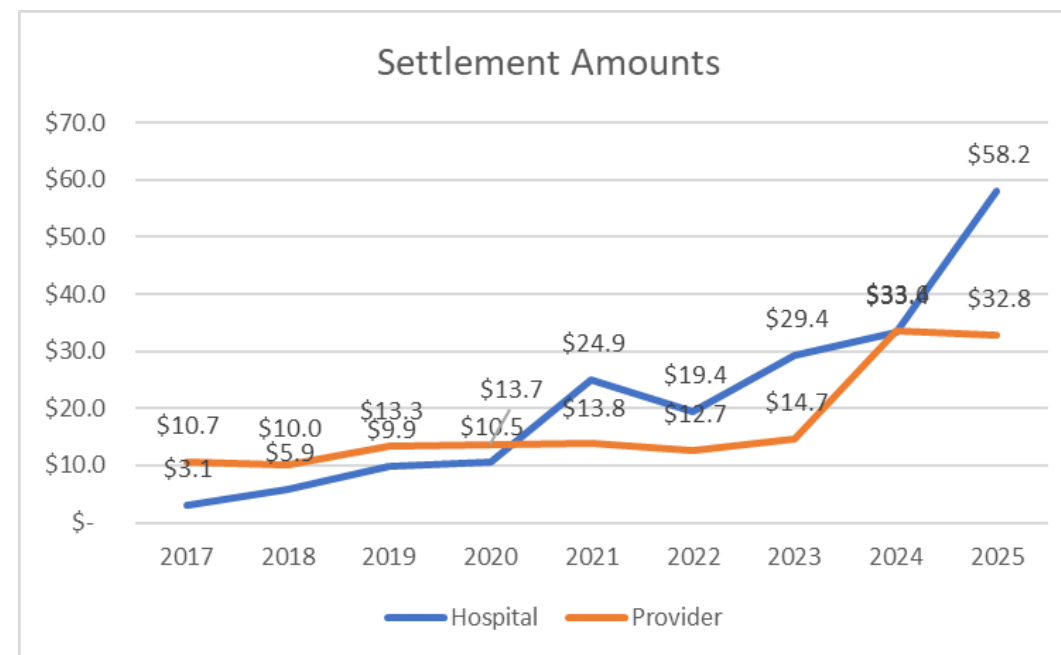
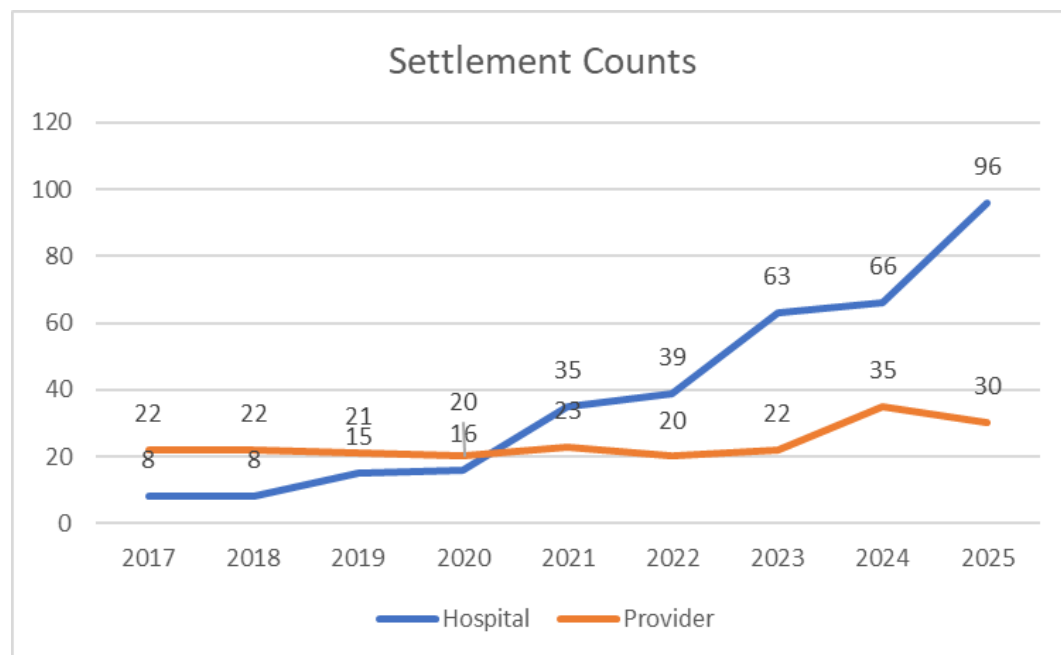
Hospitals

Year	Indicated Assessment Change	Offset due to Change in Class Plan	Impact of Coverage Increase	Impact of HB99*	Indicated Rate Change	Deficit Surcharge**
w/o Risk Margin	5.5%	0.0%	0.0%	-11.4%	-6.5%	1.0%

* House Bill 99 was signed into law in 2026. The change in definition for occurrence and the value of medical expenses (from billed to paid) has a significant impact on PCF surcharges.

** The Pinnacle Actuarial study suggests that a deficit surcharge based on the data available in 2025. Actual 2026 surcharges outpace expected and a deficit surcharge is not necessary.

PCF settlement counts and dollars paid are increasing



- Settlement count increase for hospitals is initially driven by when they joined the fund in 2017.
- In 2024 and 2025 the settlement rate for both independent providers and hospitals accelerates.
- Settlement amounts also accelerate in 2024 and 2025.
- It is important to note that this is not the total settlement amount. It is only the PCF contribution. The chart does not include the primary insurance carrier layer, punitive damages, or the layer of coverage above the PCF for hospitals.
- In Q1 2026, there were 39 settlements for \$32.9M and 2026 is on pace to hit highs for both settlement counts and dollars.
- The OSI began to manage claims operations internally in 2026 with the TPA transition. Three Claims Adjusters, a Claims Supervisor, a Designated Paralegal and Staff Attorney are dedicated to PCF Claim Operations and Litigation.

PCF Evolution and Modernization

OSI Oversight & Governance

- Quality & Statistics
- Governance
- Regulatory Oversight
- Rulemaking

Provider Network Underwriting

- Doctors
- E&S Programs
- Privileges
- High-Risk Pool

Claims Management

- Litigation
- Future Medical Costs

Investment Portfolio

- Only a Portion of Assets Currently Invested

Actuarial Analysis

- OSI Chief Actuary
- Pinnacle Actuarial

Carrier Operations

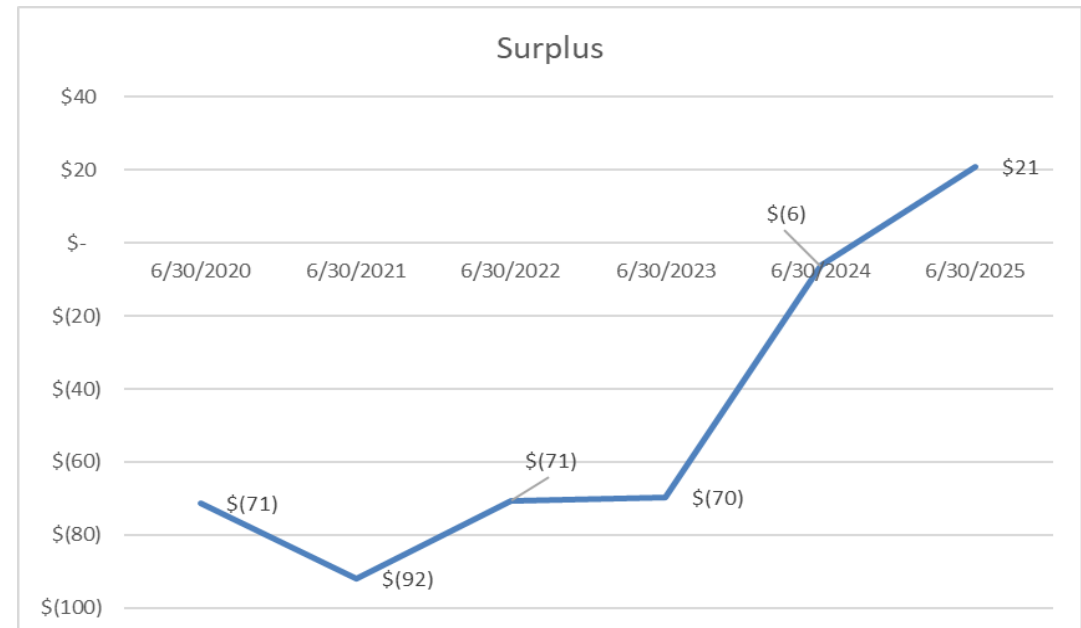
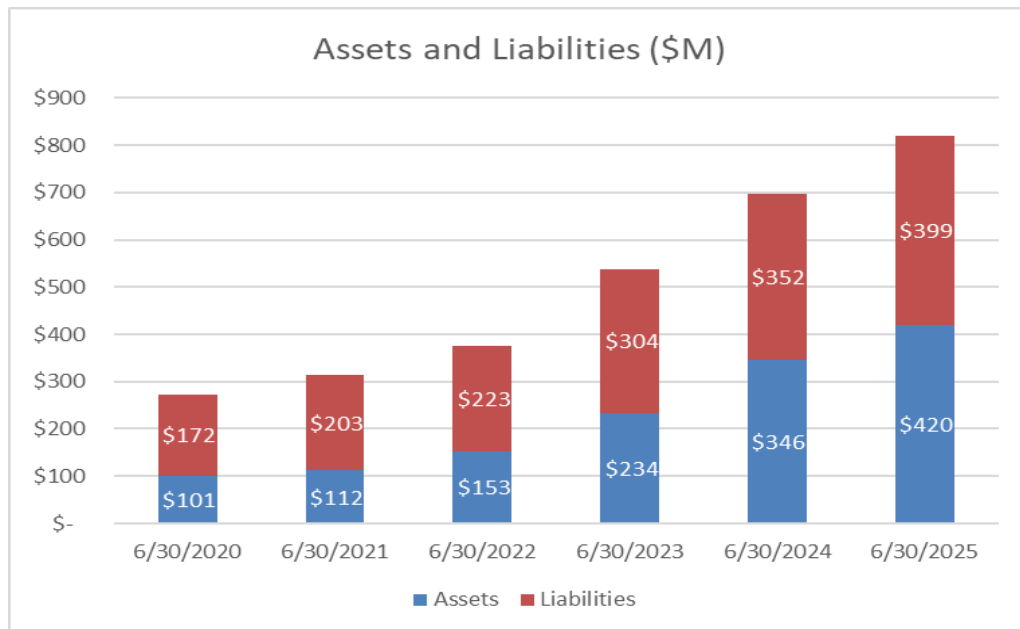
- Contact Information
- Data Calls
- IDR / Actuarial Support
- PCG

Governance and Oversight

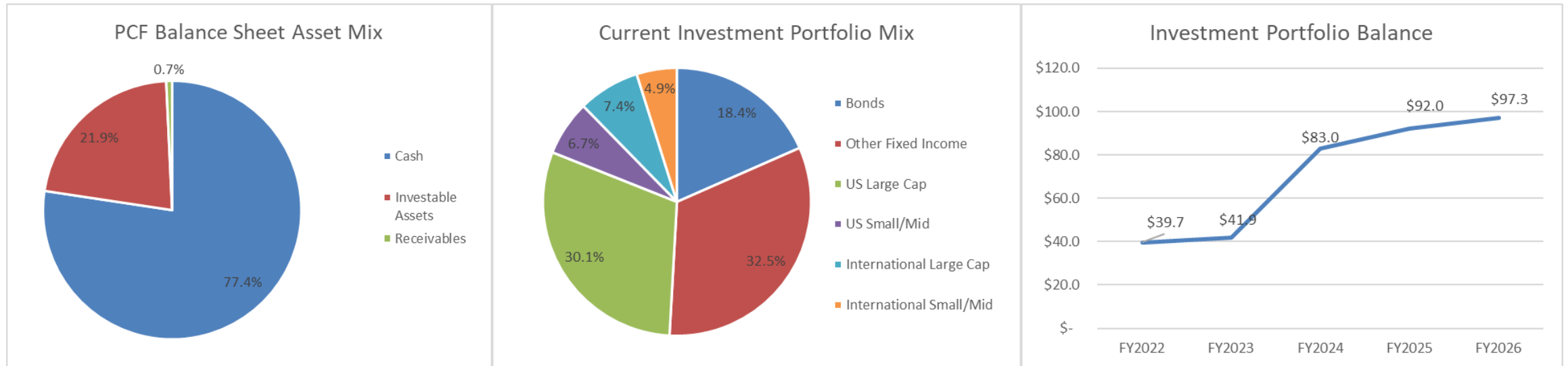
- PCF Governance:
 - Current PCF Advisory Board is composed of trial lawyers, hospitals, physicians, advocates and a certified nurse practitioner
 - Recommendation to add insurance industry expertise
 - Provides annual report to the legislature
 - Recommends independent provider surcharges to the SOI and approves hospital surcharges
- OSI to commence quarterly oversight meetings and structure
 - Internal OSI PCF dedicated staff
 - Pinnacle (External Actuary)
 - PCG (TPA)
- Reporting
 - Settlement and Future Medical Claims
 - Participation and Surcharges

PCF Balance Sheet

- Assets and Liabilities have grown consistently since fiscal year 2020
- Surplus (The Assets minus Liabilities) has turned positive in 2025 for the first time in recent history driven by rate increases, legislative infusions, and hospital deficit surcharges.
- Year end fiscal year 2026 numbers will be available in November.



PCF Investment Portfolio



- Currently \$97.3M of the total assets of over \$400M of the PCF's current assets are invested.
- The current portfolio is comprised mostly of fixed income securities but contains domestic and international stocks.
- Approximately \$35M in funds were transferred from cash to investments in 2024.

OSI Investment Strategy Recommendation

- OSI is recommending to implement a formal investment policy and program to follow the successful Wisconsin PCF, which operates like a traditional insurance company.
 - **Investment Committee** - Commissioner chairs an investment committee with members who have actuarial, financial, or industry background.
 - **Financial Statements** - Structured like an insurance company with premium income, liabilities, reserves, assets, and investments.
 - **Professional Asset Allocation** – Utilize Pinnacle and Asset management company to review asset and liability duration in determining asset allocation.