

# Office of Superintendent of Insurance FY 2019 Budget Request

November 15, 2017  
Legislative Finance Committee  
Presented by: Superintendent John G. Franchini



## Agenda

- Premium Tax Collection Update
- Premium Tax Collection Transfer
- Revenue Reporting
- Agency Budget Request
- Closing Remarks



# Premium Tax Collection Update

## Group 1

- 9 companies
- October 25, 2017:  
Report of Examination and  
Invoice mailed certified  
return receipt
- November 14, 2017:  
20-day review/dispute  
period ended

## Group 2

- 11 companies
- November 1, 2017:  
Report of Examination  
mailed certified return  
receipt
- November 20, 2017:  
20-day review/dispute  
period ends

## Group 3

- 8 Companies
- November 8, 2017:  
Report of Examination and  
Invoice mailed certified  
return receipt
- November 27, 2017:  
20-day review/dispute  
period ends

## Premium Tax Collection Transfer

OSI and the NM Taxation and Revenue Department (TRD) continue to collaborate on transferring the premium tax collection role

- Two workgroups: Legislative and Logistics
  - Legislative Council Service has drafted legislation
- Transition progress update meetings continue: OSI, TRD, LFC, DFA
- Transfer target date set for either: January 1 or July 1, 2018
  - Upon transferring, OSI will also transfer 6-7 FTEs



# Revenue Processed

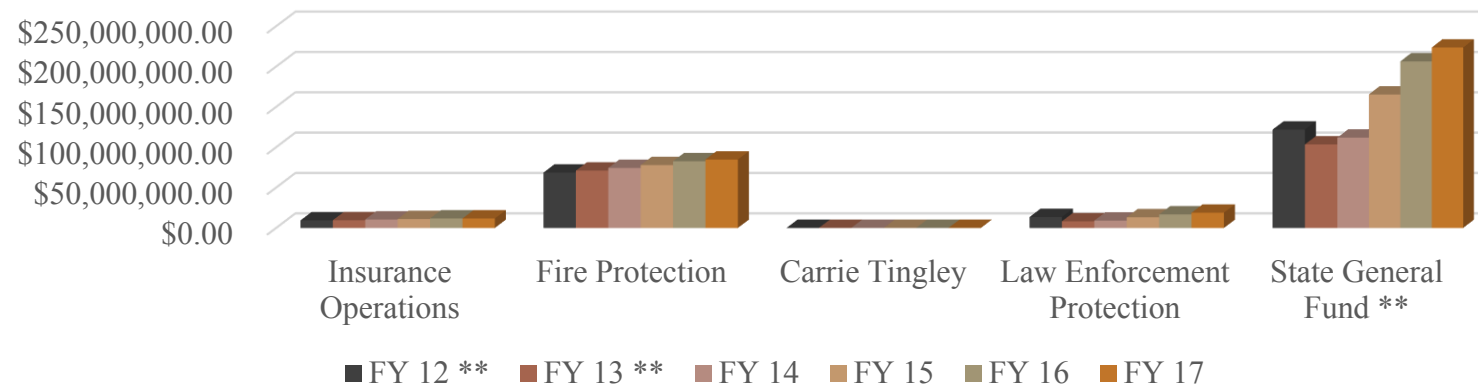
Type of Revenue	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17
Licenses, Renewals, Appointments	\$19,112,366.71	\$19,178,370.50	\$20,798,640.54	\$22,877,205.16	\$24,810,834.25	\$23,636,306.81
Premium Taxes	\$158,244,626.84	\$141,387,833.53	\$153,118,490.18	\$208,142,416.69	\$233,405,805.47	\$257,578,174.70
Fines & 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	(\$178,610.10)
Miscellaneous	\$55,113.67	\$3,780.15	\$44,042.33	\$56,933.66	\$134,010.60	\$19,113.75
<b>Total:</b>	<b>\$227,285,073.70</b>	<b>\$207,287,634.46</b>	<b>\$222,087,504.92</b>	<b>\$297,007,293.81</b>	<b>\$332,702,936.49</b>	<b>\$362,267,960.40</b>

\* Each revenue category is net of dishonored checks, credits, and adjustments for FY 14-17.



# Fund Distribution

Fund Type	FY 12 **	FY 13 **	FY 14	FY 15	FY 16	FY 17
Insurance Operations	\$9,338,127.58	\$9,619,969.35	\$10,496,238.79	\$11,085,874.58	\$11,744,684.83	\$11,714,206.75
Fire Protection	\$68,576,625.55	\$71,006,406.59	\$74,345,228.77	\$77,910,548.11	\$82,661,595.64	\$84,739,775.76
Carrie Tingley	\$27,514.00	\$30,220.00	\$39,573.00	\$33,151.00	\$36,935.00	\$35,095.00
Law Enforcement Protection	\$13,537,337.32	\$8,280,806.75	\$9,041,040.93	\$13,220,274.74	\$16,732,787.31	\$18,882,077.99
State General Fund **	\$121,754,973.54	\$103,423,487.23	\$111,825,976.13	\$165,389,637.90	\$206,292,106.86	\$223,605,824.03



\*\* Unaudited numbers by OSI



# Revenue Overview

Although OSI is funded by state and federal funds, the agency receives no general fund support

- Agency revenue is derived from various insurance entities through premium taxes and surtaxes, fines, penalties, assessments, and licensing and continuing education fees
- Revenue used to support the OSI budget are derived from Other State Revenue, Other Transfers, Federal Funds, and Fund Balances

In FY 17, OSI collected ~\$362 million, an increase of over \$29 million from FY 16

- Over 93% of OSI collections are transferred to external funds including: State General Fund, Fire Protection Fund, Law Enforcement Protection Fund, and the Carrie Tingley Fund

The various funds that also support OSI include:

- Patient's Compensation Fund (PCF) – balance derived from annual premium surcharges collected from health care providers and investment interest earned on balance
- Insurance Fraud Fund – balance derived through premium taxes and fees levied on insurers
- Title Maintenance Fund – balance derived through assessments and fees levied on title insurers



## Budget Request Overview

Total budget request for FY 19 ~ \$28.7 million from all funding sources

- Nearly \$4 million decrease from FY 18 Operating Budget
- Eliminated 37 positions

Expansion Request in FY 19 includes:

- Federal Fund Discontinuance: 7 TERM to PERM FTE conversions
- Pharmacy Benefits Manager Regulation Act: 1 FTE creation

Other Revenue Request:

- Patient's Compensation Fund:
  - To pay expected claims, contracts, and fund 1 current FTE





## Budget Request Overview

### Request transfer of special revenues: Fraud and Title Funds

- Needed to allow each division to use their own revenues to support operations and allow for greater expenditure clarity
- Insurance Fraud Bureau's FY 19 budget is \$1,546,100
- Title Insurance Bureau's FY 19 budget is \$432,300



## Budget Request Overview

- FY 18 Operating Budget: \$32,030,900
- FY 19 Budget Request: \$28,693,300
- Reduction of \$3,337,600



## Closing Remarks

- In the last 4 years, OSI's consumer assistance bureaus have helped consumers and service providers in NM save, resolve, and/or recover nearly \$8 million.
- OSI continues to proceed with forward-thinking strategies by implementing new technology, launching new consumer tools and user-friendly websites, increasing statewide educational outreach, offering webinar trainings and informational sessions, and remains committed to its working groups with industry stakeholders to address vital regulations needed to protect our consumers and service providers.
- As an adjunct State agency, OSI understands it is critical to provide efficient and effective insurance regulatory oversight. With adequate support, OSI will be able to continue to meet its statutory obligations in enforcing the NM Insurance Code and the Affordable Care Act, continue to combat insurance fraud, and remain committed to consumer protection in NM.



# Office of Superintendent of Insurance

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