



Premium Tax Update

Presented to
Revenue Stabilization and Tax Policy
Committee

December 15, 2015

By

Office of Superintendent of Insurance

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Revenues - Overall

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- The OSI collected just over \$297 million in annual revenues
 - 86% of revenues are from premium taxes and surtaxes levied on insurance companies that write policies in New Mexico.
 - Most of the remaining revenues are derived from annual licensing fees levied on insurance agents, insurance carriers and other insurance licensees.
 - Approximately 90% of collected revenues are transferred to the general fund, the fire protection fund, the law enforcement protection fund, the public election fund (ended July 1, 2014), the Carrie Tingley fund as well as used to fund the operations of the OSI.

Sources of Revenues & Distributions

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Sources of Revenues:

Premium Taxes

Health Insurance Surtax

Licenses, Renewals and Appointments

Fines and Penalties

Surplus Line Taxes

Insurance Premium Surtaxes

Assessments

Patients' Compensation Fund

Continuing Education

Miscellaneous (i.e. copies)

Distributions/Transfers

- ✓ State General Fund
- ✓ Fire Protection Fund
- ✓ Law Enforcement Protection Fund
- ✓ Carrie Tingley
- ✓ Insurance Operating Fund

Taxpayers (Insurers) Subject to Premium Tax and Health Insurance Surtax

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Basically, premium taxes are applicable to Insurance Companies, HMO's, Mexican Casualty Companies, Non-Profit Health Care Plans, Prepaid Dental Plans, Property Bail Bond Agents, Purchasing Groups, Risk Retention Groups, Self-Insured's, and Title Insurance Companies.

According to statute, the following are subject to premium taxes:

- 1) Each insurer authorized to transact insurance in New Mexico
- 2) Each unauthorized insurer that has assumed a contract or policy of insurance directly or indirectly from an authorized or formerly authorized insurer and is receiving premiums on such policies remaining in force in NM, except if a ceding insurer continues to pay the tax provided in this section as to such policy or contract.
- 3) Each insurer formerly authorized to transact insurance in New Mexico and receiving premiums on policies remaining in force in NM
- 4) Each property bondsman, as defined in statute
- 5) Each risk retention and purchasing group, as defined in statute

Additionally, according to statute and recently issued bulletin 2015-031, the following policies and plans are subject to a 1% "health insurance surtax":

Each plan operating under provisions of Chapter 59A, Articles 46 through 49 NMSA 1978 - Health Maintenance Organizations (HMOs), Nonprofit Health Care Plans, Prepaid Dental Plans, or Prearranged Funeral Plans, or any other "hospital or medical expense incurred policies".

Premium tax:

Items 1-5: Section 59A-6-2
NMSA 1978 (Items 1-5)

Specifically Item 4: Section
59A-51-2 NMSA 1978S

Specifically Item 5: Section
59A-55-6 NMSA 1978

Health Insurance Surtax:

Specifically Item 1: Chapter
59A-6-2 (C), Articles 46-49
NMSA 1978

Combined Premium Tax Rates for Health Insurers

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- Insurance Premium Tax 3.003%
- Insurance Premium Surtax 1.0%
- Combined Tax Rate 4.003%

Premium Tax Rate (Insurance)

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Premium Tax:

Section 59A-6-2(B)
NMSA 1978

Health Insurance Surtax:

Section 59A-6-2(C)
NMSA 1978

Surplus Lines Tax:

Section 59A-14-12
NMSA1978

3.003% of the gross premiums and membership and policy fees received or written by it, as reported in Schedule T and supporting schedules of its annual financial statement **on insurance contracts covering risks within this state during the preceding calendar year, less all return premiums, but to include dividends paid or credited to policyholders or contract holders and premiums received for reinsurance on NM risks.**

1% of **each plan operating under provisions of Chapter 59A, Articles 46 through 49 NMSA 1978 - Health Maintenance Organizations (HMOs), Nonprofit Health Care Plans (with the specific exclusion of Non-Profit Vision or dental plans ONLY), Prepaid Dental Plans, or Prearranged Funeral Plans, or any other "hospital or medical expense incurred policies".**

Premiums specifically include any additional amount charged the insured, including policy fees, risk purchasing group fees, and inspection fees, but do not include any additional amounts charged the insured for local, state, or federal tax, regulatory authority fees, or examination fees.

Health Insurance Premium Surtax (In addition to Premium Tax)

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Section 59A-6-2(C)
NMSA 1978

Section 59A-6-2(C
& E) NMSA 1978

1.0%

Each taxpayer that is authorized to transact **health insurance in New Mexico or is an HMO or nonprofit health care plan is subject to a surtax of 1%** of the gross health insurance premiums and membership and policy fees received by it on health insurance or contracts covering health risks within New Mexico during the preceding calendar year

- less all return health insurance premiums but including dividends paid or credited to policyholders or contract holders and health insurance premiums received for reinsurance on New Mexico risks
- The ONLY statutorily allowed exclusions from the surtax are **non-profit dental or vision only contracts**, premiums received for Federal Health Employee Benefit Plans; premiums received for Medicare contracts; and health insurance premiums received by the state or political subdivision for its active or retired employees ONLY

Premiums Exempt from Premium Tax

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Section 59A-6-2
(E) NMSA 1978

7 U.S.C Sections
1506 and 1511

Attorney General
Opinion No. 79-
38, November 8,
1979

Exempted from the New Mexico insurance premiums tax and health insurance premiums surtax are:

- 1) Premiums attributable to insurance or contracts purchased by the state or a political subdivision for the state's or political subdivision's active or retired employees; and
 - 2) Payments received by a health maintenance organization from the federal secretary of Health and Human Services pursuant to a contract issued under the provisions of 42 U.S.C. Section 1395 mm(g) (e.g. premiums received for Medicare contracts and Federal Employee Health Benefit Plans)
 - 3) Federal Flood (multiple peril crop insurance) premiums are excluded from state premium tax on the federal level pursuant to the Code of Federal Regulations
- ❖ Self-insured employer under Workmen's Compensation Act is not an insurance company transacting insurance business and therefore is not subject to the premium tax.

Premium Tax In Lieu of Other Taxes

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Section 59A-6-6
NMSA 1978

Attorney General
Opinion No. 47-5038,
June 11, 1947

The state government of New Mexico preempts the field of taxation of insurers, nonprofit health care plans, health maintenance organizations, prepaid dental plans, prearranged funeral plans and insurance agents and solicitors as such; and payment of the taxes, licenses and fees provided for in the Insurance Code shall be in lieu of all other taxes, licenses and fees of every kind now or hereafter imposed by this state or any political subdivision thereof on any of the foregoing specified entities, excepting the regular state, county and city taxes on property located in New Mexico excepting the income tax on agents and solicitors. As used in this section, "agent" does not include insurance adjusters.

The state's insurance premiums tax on an insurance company is in lieu of all other taxes, except a tax on property located in New Mexico.

Premium Tax & Health Insurance Premium Surtax Due Dates

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Section 59A-6-2(D)
NMSA 1978

All Premium Taxes including the Surtaxes are to be paid quarterly based on at least 25% of either the preceding calendar years tax paid or 80 % of the actual payment due for the current calendar year, whichever is greater. (Final adjustments are made on the April 15th final return.)

- **April 15th:** Premium Tax Final (from the preceding calendar year) & Premium Tax 1st quarter (current year)
- **July 15th:** Premium Tax 2nd quarter (current year)
- **October 15th** Premium Tax 3rd quarter (current year)
- **January 15th** Premium Tax 4th quarter (current year)

How Premium Taxes and Surtaxes are Filed/Paid

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Premium Tax Forms of Insurance Division:

Form 306	Quarterly for Life and Health, Casualty, Property, and Vehicle
Form 300	Final Life & Health (Section 59A-7-2 & 3 NMSA 1978)
Form 301	Final Casualty (Section 59A-7-4 NMSA 1978)
Form 302	Final Property (Section 59A-7-6 NMSA 1978)
Form 303	Final Vehicle Section (59A-7-7 NMSA 1978)
Form 308	Quarterly for Self-Procured (Section 59A-15-4 NMSA 1978)
Form 309	Quarterly for Self-Insured (Section 59A-6-2(1) NMSA 1978 and Section 52-6-13)

- ✓ Annual Return Filed
- ✓ Tax Deductions
- ✓ Tax Credits
- ✓ Tax Payments

Premium Tax Return Deductions

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Section 59A -6-2 (B)
NMSA 1978

Section 59A -6-2 (E)
NMSA 1978

7 U.S.C Sections 1506
and 1511

- Return Premiums
- Premiums attributable to insurance purchased by the state or its Political Subdivisions for the state's or political subdivision's active or retired employees ONLY
- Payments received by a health maintenance organization from the federal secretary of Health and Human Services pursuant to a Medicare contract and Federal Health Employee Benefit Plans
- Premiums received for Federal Flood or Multiple Peril Crop insurance

Premium Tax Credits

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Section 59A-54-10(A)
NMSA 1978

Section 59A-54-10(C)
NMSA 1978

Section 59A-56-11(F)
NMSA 1978

- The New Mexico Medical Insurance Pool Administrator will annually assess an insurer for the losses and administrative expenses of the state's **Medical Insurance Pool**.

- **Premium Tax Credits for Pool Payments**
 - **Medical Insurance Pool Payment – 50% tax credit** (for the assessments attributable to full and reduced plan policyholders)
 - **Medical Insurance Pool Payment – 75% tax credit** (for the assessments attributable to state paid plan policy holders that receive premiums, in who or in part through the federal Ryan White Care Act, the Ted R. Montoya hemophilia program of UNM Health Sciences Center, the children's medical services bureau of the public health division of the Department of Health or other program receiving state funding or assistance.)
 - **Health Alliance Pool Payments – 50% tax credit (repealed effective January 1, 2015)**

Premium Tax Refunds / Overpayments

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Section 59A-6-5(B)
NMSA 1978

- The Superintendent of Insurance may authorize a refund of money erroneously paid as fees, licenses, penalties, or taxes from the Office of Superintendent of Insurance's Suspense Fund upon a request for refund made within three years after the erroneous payment
- In the case of a premium tax erroneously paid or overpaid, a refund may also be requested as a credit against the state insurance premium tax due in any annual or quarterly premium tax return filed within three years of the erroneous or excess payment

Premium Taxes Collected: Fiscal Years 2011 – 2015

Credits: Medical Insurance Pool, Calendar Years 2012 – 2015

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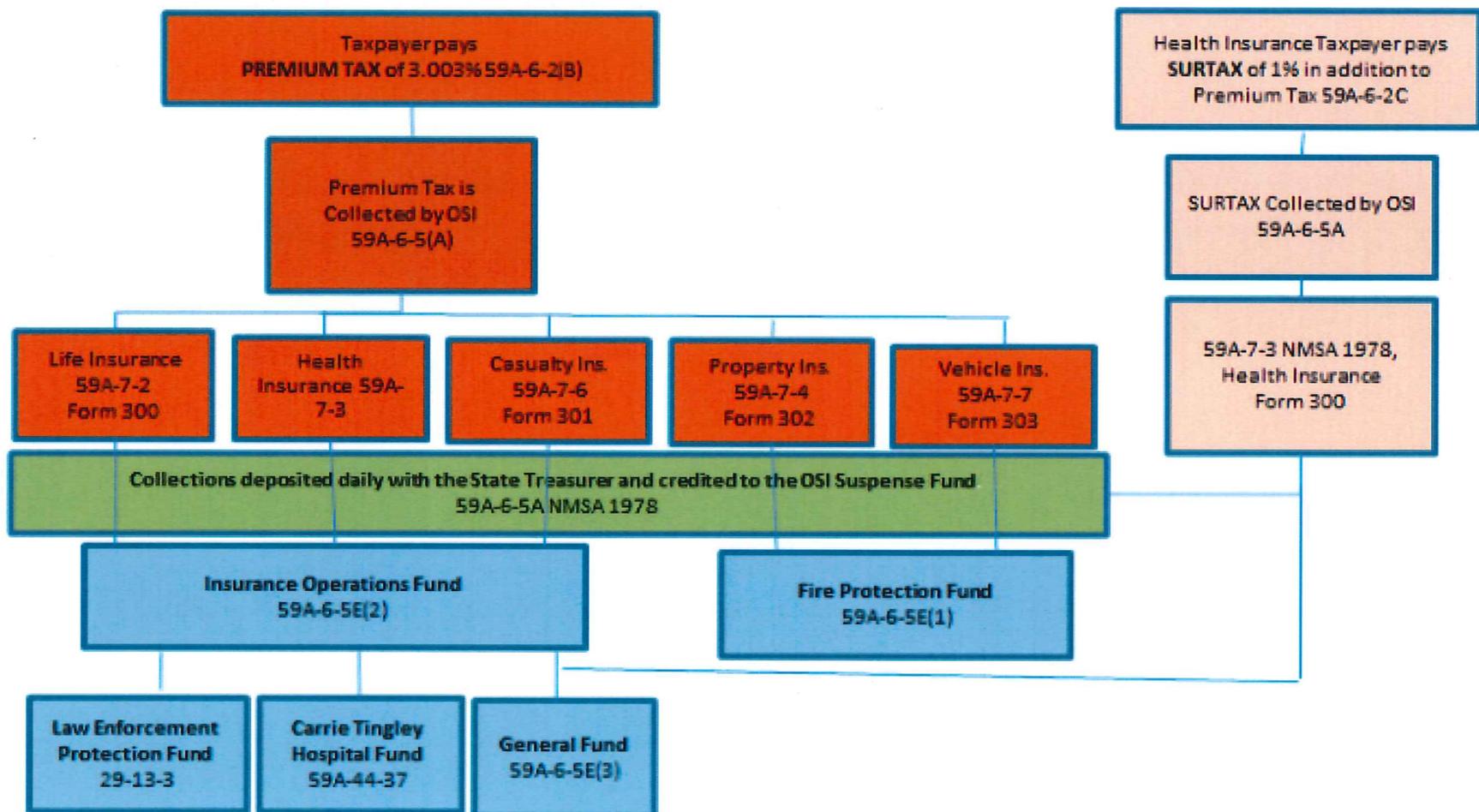
PREMIUM TAX AND SURTAX FOR INSURANCE	FY2011	FY2012	FY2013	FY2014	FY2015
PREMIUM TAX (Insurance)	\$109,832,775.93	\$98,392,182.53	\$78,752,491.94	\$87,293,791.00	\$127,100,552.98
SURTAX (Health Insurance)	\$36,061,780.31	\$32,686,568.82	\$30,445,982.31	\$30,456,607.77	\$46,383,665.41
PREMIUM TAX (Fire Fund)	\$60,080,801.97	\$59,852,444.31	\$62,635,341.59	\$65,824,699.18	\$68,087,274.15
Totals	\$205,975,358.21	\$190,931,195.66	\$171,833,815.84	\$183,575,097.95	\$241,571,492.54

MEDICAL INSURANCE POOL CREDITS	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014 (Jan-June)
Total Enrollment	Jan – 8,501 Dec – 8,507 High: 8,507 Dec	Jan – 8,533 Dec – 8,680 High: 8,946 July	Jan – 8,327 Dec – 6,057 High: 8,327 Jan
FULL PREMIUM PLANS (50% Premium Tax Credit) 35-37% of total loss	\$35,692,248	\$43,596,737	\$20,762,849
LOW INCOME PLANS (50% Premium Tax Credit) 40-44% of total loss	\$44,667,389	\$47,958,576	\$23,326,415
STATE PAID PLANS (75% Premium Tax Credit) 21-24% of total loss	\$21,607,149	\$28,367,058	\$11,705,469
TOTAL LOSS	\$101,966,786	\$119,922,371	\$55,794,733
TOTAL CREDITS BASED UPON MIP LOSSES*	\$56,385,180	\$67,052,950	\$30,823,734

* Unaudited Numbers

Note: Health Alliance Credits Account for an Additional approx. \$2.3 Million/Year

Flow Chart on Premium Tax and Surtax



Revenue Processed Fiscal Years 2010 – 2015

TYPE OF REVENUE	FY10	FY 11	FY 12	FY 13	FY 14	FY 15
Licenses, Renewals & Appointments	\$16,243,529.85	\$16,758,130.50	\$19,112,366.71	\$19,178,370.50	\$20,798,640.54	\$22,877,205.16
Premium Taxes	\$175,777,003.78	\$169,341,739.67	\$158,244,626.84	\$141,387,833.53	\$153,118,490.18	\$208,142,416.69
Fines & Penalties	\$310,673.68	\$231,044.54	\$958,488.66	\$843,126.59	\$819,303.56	\$624,573.76
Surplus Line Taxes	\$2,445,902.27	\$2,704,626.30	\$2,757,858.76	\$2,689,433.16	\$2,983,228.42	\$3,187,291.87
Insurance Premium Surtax	\$36,876,183.34	\$36,049,652.90	\$32,686,568.82	\$30,445,982.31	\$30,456,607.77	\$47,747,166.26
Assessments	\$1,365,835.97	\$810,861.95	\$1,682,720.43	\$2,142,551.11	\$1,338,205.13	\$2,053,596.82
Patient's Compensation Fund	\$12,733,122.99	\$10,855,690.27	\$12,188,092.37	\$11,134,060.45	\$12,433,743.99	\$12,220,654.96
Continuing Education	\$107,803.40	\$106,418.10	\$98,563.60	\$97,167.00	\$95,243.00	\$97,454.63
Deductions *	(\$3,528,756.34)	(\$3,038,003.51)	(\$499,326.16)	(\$634,670.34)	\$0.00	\$0.00
Miscellaneous	\$55,316.32	\$23,389.38	\$55,113.67	\$3,780.15	\$44,042.33	\$56,933.66
Grand Total:	\$242,386,615.26	\$233,843,550.10	\$227,285,073.70	\$207,287,634.46	\$222,087,504.92	\$297,007,293.81

Note: * Each revenue category is net of dishonored checks, credits and adjustments for FY 14 - 15.

Revenue Collections and Distributions

Fiscal Years 2007 – 2010

	FY2007 **	FY2008 **	FY2009 **	FY2010 **
INSURANCE SUSPENSE FUND*	\$190,304,008.49	\$196,682,074.00	\$206,613,666.29	\$231,848,534.56
LESS DISHONORED CHECKS	(\$9,681.89)	(\$33,796.00)	(\$1,828.16)	(\$10,941.00)
LESS REFUNDS	(\$967,347.65)	(\$1,026,752.78)	(\$1,446,085.18)	(\$3,514,749.57)
LESS SPECIAL APPROPRIATIONS/OTHER	\$0.00	\$0.00	\$0.00	\$0.00
LESS ADJUSTMENTS & TRANSFERS ***	(\$682,028.36)	(\$100,818.00)	(\$876,390.03)	(\$800.00)
INSURANCE SUSPENSE FUND SUB-TOTAL	\$188,644,950.59	\$195,520,707.22	\$204,289,362.92	\$228,322,043.99
INSURANCE OPERATION FUND	(\$6,799,607.06)	(\$7,552,664.21)	(\$8,264,136.95)	(\$8,275,775.03)
FIRE PROTECTION FUND	(\$62,169,362.42)	(\$64,815,369.60)	(\$68,224,527.94)	(\$66,430,881.98)
CARRIE TINGLEY	(\$12,490.00)	(\$18,170.00)	(\$23,713.00)	(\$33,223.00)
NM FINANCE AUTHORITY	(\$1,395,203.00)	(\$1,681,413.91)	(\$1,761,417.00)	\$0.00
INSURANCE SUSPENSE FUND LESS DISTRIBUTION	\$118,268,288.11	\$121,453,089.50	\$126,015,568.03	\$153,582,163.98
X 10% TO LAW ENFORCEMENT FUND (LEF)	(\$11,826,828.93)	(\$12,145,309.07)	(\$12,601,556.93)	(\$15,358,216.55)
REVERSION TO GENERAL FUND **	\$106,441,459.18	\$109,307,780.43	\$113,414,011.10	\$138,223,947.43

Note: Premium taxes are only a portion what is received into the Insurance Suspense Fund.

*The figures below are included in Insurance Suspense Fund

** Unaudited Numbers by OSI

*** Includes transfers for Voter Election Fund. Note: No longer required by Statute for FY 15

There are other fees, penalties, etc. that are included in the numbers above and impact the various transfers.

PREMIUM TAX AND SURTAX FOR INSURANCE *	FY2007	FY2008	FY2009	FY2010
PREMIUM TAX (Insurance)	\$94,004,901.25	\$95,888,341.86	\$94,520,801.05	\$116,090,692.33
SURTAX (Health Insurance)	\$21,828,222.87	\$22,955,163.16	\$28,382,370.99	\$36,876,183.34
PREMIUM TAX (Fire Fund)	\$56,581,609.44	\$59,165,662.60	\$60,413,287.15	\$59,686,311.45
Totals	\$172,414,733.56	\$178,009,167.62	\$183,316,459.19	\$212,653,187.12

Revenue Collections and Distributions Fiscal Years 2011 – 2015

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	FY2011 **	FY2012 **	FY2013 **	FY2014	FY2015
REVENUE PROCESSED (Less Dishonored Checks & Credits)	\$223,617,723.18	\$227,204,011.39	\$205,737,878.63	\$222,087,504.92	\$297,007,293.81
AGENCY FUND ACCOUNTS (Direct)					
TITLE INSURANCE	\$0.00	(\$596,351.29)	(\$133,591.78)	(\$682,200.00)	(\$675,000.01)
PATIENT'S COMPENSATION FUND	\$0.00	(\$12,188,092.37)	(\$11,134,060.45)	(\$12,433,743.99)	(\$12,220,654.96)
INSURANCE FRAUD FUND	(\$667,078.15)	(\$1,086,369.14)	(\$2,008,959.33)	(\$656,005.13)	(\$1,378,596.81)
INSURANCE LICENSING CONTINUING EDUCATION FUND	(\$109,103.10)	(\$98,563.60)	(\$97,167.00)	(\$95,243.00)	(\$97,454.63)
WORKING CAPITAL- REPRODUCTION FUND	(\$23,537.53)	(\$57.00)	(\$3,210.15)	(\$42,837.33)	(\$54,763.66)
LESS					
REFUNDS	\$0.00	\$0.00	\$0.00	(\$989,417.85)	(\$14,413,846.00)
SPECIAL APPROPRIATIONS/OTHER	\$0.00	\$0.00	\$0.00	(\$1,340,000.00)	(\$100,000.00)
ADJUSTMENTS & TRANSFER ***/****	\$0.00	\$0.00	\$0.00	(\$100,000.00)	\$33,380.59
FUND DISTRIBUTIONS					
INSURANCE OPERATION FUND	(\$8,947,111.36)	(\$9,338,127.58)	(\$9,619,969.35)	(\$10,496,238.79)	(\$11,085,874.58)
FIRE PROTECTION FUND	(\$67,452,200.20)	(\$68,576,625.55)	(\$71,006,406.59)	(\$74,345,228.77)	(\$77,910,548.11)
CARRIE TINGLEY	(\$25,673.00)	(\$27,514.00)	(\$30,220.00)	(\$39,573.00)	(\$33,151.00)
LAW ENFORCEMENT FUND	(\$14,733,311.42)	(\$13,537,337.32)	(\$8,280,806.75)	(\$9,041,040.93)	(\$13,220,274.74)
GENERAL FUND **	\$131,659,708.42	\$121,754,973.54	\$103,423,487.23	\$111,825,976.13	\$165,389,637.90

** Unaudited Numbers by OSI

*** Includes transfers for Voter Election Fund. Note: No longer required by Statute for FY 15

**** Pending Refund

PREMIUM TAX AND SURTAX FOR INSURANCE	FY2011	FY2012	FY2013	FY2014	FY2015
PREMIUM TAX (Insurance)	\$109,832,775.93	\$98,392,182.53	\$78,752,491.94	\$87,293,791.00	\$127,100,552.98
SURTAX (Health Insurance)	\$36,061,780.31	\$32,686,568.82	\$30,445,982.31	\$30,456,607.77	\$46,383,665.41
PREMIUM TAX (Fire Fund)	\$60,080,801.97	\$59,852,444.31	\$62,635,341.59	\$65,824,699.18	\$68,087,274.15
Totals	\$205,975,358.21	\$190,931,195.66	\$171,833,815.84	\$183,575,097.95	\$241,571,492.54

OSI Premium Tax Initiatives in 2015

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OSI Bulletin 2015-14 – issued March 30, 2015 replaced by OSI Bulletin 2015-027 issued October 9, 2015

OSI Bulletin 2015-31 – issued November 13, 2015 and Section 59A-6-2 (C) NMSA 1978

- In late 2014 OSI discovered insurance companies were applying MIP credits improperly. In order to clarify procedures, Superintendent Franchini issued these bulletins regarding proper MIP application. Since the issuance of this bulletin, the Financial Audit Bureau has collected over 15 million dollars in premium taxes directly as a result of “MIP” audits, and also due to the collection efforts of two Financial Audit Bureau team members.
- On November 13, 2015, Superintendent Franchini issued this bulletin clarifying exactly the types of policies that were sur-taxable. Prior to the issuance of this bulletin, insurance companies were claiming their policies were not subject to the surtax when, in fact, only two specific exclusions are named in the health insurance surtax statute. One Financial Audit Bureau team member has collected almost a half a million dollars of long overdue and outstanding surtax from November 13th through December 11th, 2015. On December 11th 2015, the Financial Audit Bureau was directed to suspend enforcement of this Bulletin while the Bulletin language is refined to correct an overbroad application. We expect to schedule a hearing on this issue in the spring.

Premium Tax Collections Affecting the General Fund in 2015

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April 2015
(Final premium tax reports for 2014 and 1st quarter premium tax reports for 2015)

July 2015
(2nd quarter premium tax reports)

October 2015
(3rd quarter premium tax reports)

- In April of 2015, the Financial Audit Bureau collected over \$54 million more than it collected April 2014
- In July 2015 the Financial Audit Bureau collected over \$18.6 million more than it collected in July 2014
- In October 2015, the Financial Audit Bureau Collected over \$11.6 million more than it collected in October 2014

General Fund Analysis

Fiscal Year	Total Revenue to General Fund for Line Item 54 (the Only Line Item Affected by MIP Credits - Not the Entire Amount of Premium Taxes Collected)	MIP Credits Taken at 75% Rate for State Paid Plans According to OSI's Internal Financial Tracking System	MIP Credits taken at 50% Rate for Full and Reduced Paid Plans According to OSI's Internal Financial Tracking system	Total MIP Credits Taken According to OSI internal Financial Tracking System	Total Revenue That Could Have Been Collected if Not for MIP Credits	Percentage of Revenues Lost Due to Statutory MIP/Premium Tax Credit Per Fiscal Year
2010	\$ 116,080,442	\$ 53,101,912	\$ 10,806,394	\$ 63,908,307	\$ 179,988,749	36%
2011	\$ 109,832,776	\$ 60,603,803	\$ 16,437,899	\$ 77,041,702	\$ 186,874,478	41%
2012	\$ 98,392,183	\$ 79,188,532	\$ 19,850,906	\$ 99,039,438	\$ 197,431,621	50%
2013	\$ 78,752,492	\$ 77,399,947	\$ 19,920,092	\$ 97,320,039	\$ 176,072,531	55%
2014	\$ 87,293,791	\$ 89,370,212	\$ 26,284,987	\$ 115,655,199	\$ 202,948,990	57%
2015	\$ 140,007,830	\$ 71,484,749	\$ 22,036,012	\$ 93,520,761	\$ 233,528,591	40%
2016 (Through August 31)	\$ 40,504,749					
Totals	\$ 670,864,263	\$ 431,149,155	\$ 115,336,290	\$ 546,485,446	\$ 1,176,844,960	46%

Projected Loss Amounts by Year

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Projected if pool drops to 2481 in 2016	Projected # of policy holders	Projected loss amount	Projected Avg. loss amount per policy holder	Projected amount eligible for credit	Percentage of Policies Under Plan
State paid plans eligible for 75% credit	357 \$	10,024,138.74 \$	28,078.82 \$	7,518,104.06	14.4%
Full & reduced plans eligible 50% credit	2124 \$	38,631,906.72 \$	18,188.28 \$	19,315,953.36	85.6%
Totals	2481 \$	48,656,045.46		\$ 26,834,057.42	
Projected if pool drops to 1741 in 2017	Projected # of policy holders	Projected loss amount	Projected Avg. loss amount per policy holder	Projected amount eligible for credit	Percentage of Policies Under Plan
State paid plans eligible for 75% credit	251 \$	7,047,783.82 \$	28,078.82 \$	5,285,837.87	14.4%
Full & reduced plans eligible 50% credit	1490 \$	27,100,537.20 \$	18,188.28 \$	13,550,268.60	85.6%
Totals	1741 \$	34,148,321.02		\$ 18,836,106.47	
Projected if pool drops to 1000 in 2018	Projected # of policy holders	Projected loss amount	Projected Avg. loss amount per policy holder	Projected amount eligible for credit	Percentage of Policies Under Plan
State paid plans eligible for 75% credit	144 \$	4,043,350.08 \$	28,078.82 \$	3,032,512.56	14.4%
Full & reduced plans eligible 50% credit	856 \$	15,569,167.68 \$	18,188.28 \$	7,784,583.84	85.6%
Totals	1000 \$	19,612,517.76		\$ 10,817,096.40	

Proposed Legislation

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- ✓ Estimated Tax Payments
 - Actual tax due vs. estimated tax due
 - MIP credit statutory clarification

- ✓ If the Insurance Pool is no longer required as a result of healthcare reform, both the assessment and the corresponding deduction should be addressed.

- ✓ Section 59A-6-2B: too vague, “received or written” premiums;

- ✓ Section 59A-6-5B: too vague, refund for “erroneous payment”

Proposed Legislation

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✓ REVISIONS FROM TAX CONSULTANT

- Presumption of correctness for assessment, calculation and demand, e.g. NMSA §7-1-17(C): ***Any assessment of taxes or demand for payment made by the department is presumed to be correct.***
- ✓ Statutory interest on late payments and underpayments
- ✓ Clarification of credit carry forward for claim for refund §59A-6-5
- ✓ Clarification and restructuring of premium tax penalties

Special Appropriation

✓ OFFICE OF SUPERINTENDENT OF INSURANCE

- The Department received a special appropriation of one hundred thousand dollars (\$100,000) from Chapter 63, Laws of 2014, Section 5, Subsection 39 for an audit of premium tax collections. The General Appropriations Act of 2015, Chapter 101, Laws of 2015, Section 5, Subsection 27, extended the deadline to complete the premium tax audit through fiscal year 2016, subject to oversight by the state auditor. The premium tax audit will assess current and past operations of premium tax reporting, collections and distributions. The Department has selected an Independent Public Accountant (IPA) firm to conduct the special premium tax audit. The work is expected to begin in January 2016. As a result of audits by internal OSI staff as well as the results of the special premium tax audit which will be conducted by the IPA, there may be additional tax assessments, penalties, refunds or credits which are impractical to measure.