



NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

Financial Statements and
Supplementary Information

JUNE 30, 2022



TABLE OF CONTENTS

JUNE 30, 2022

INTRODUCTORY SECTION

Table of Contents	i
Official Roster	iii

FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Government Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	24
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	
General Operating Fund - 11690 (P795)	25
Insurance Operations Fund - 11810 (P790).....	26
Insurance Fraud Fund - 11880 (P795)	27
Health Care Affordability Fund - 21890 (P795).....	28
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position - Patient's Compensation Fund - 11850.....	29
Statement of Changes in Fiduciary Net Position - Patient's Compensation Fund - 11850	30
Statement of Fiduciary Net Position - Policy Holders and Creditors - 11870.....	31
Statement of Changes in Fiduciary Net Position - Policy Holders and Creditors - 11870	32
Notes to Financial Statements	33

TABLE OF CONTENTS

JUNE 30, 2022

SUPPLEMENTARY INFORMATION

Combining Balance Sheet - Non-Major Governmental Funds	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	54

OTHER SUPPLEMENTARY INFORMATION

Schedule of Joint Powers Agreement	55
Schedule of Special Appropriations	56

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Summary Schedule of Prior Audit Findings	60
Schedule of Findings and Responses.....	60
Exit Conference	61

STATE OF NEW MEXICO OFFICE OF SUPERINTENDENT OF INSURANCE

ADMINISTRATIVE OFFICIALS

RUSSELL TOAL

Superintendent of Insurance

JENNIFER CATECHIS

Deputy Superintendent of Insurance

ALFRED WALKER

Acting General Counsel

BERSABE RODRIGUEZ

Chief Financial Officer





FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT





Jaramillo Accounting Group LLC

Certified Public Accountants

Audit, Fraud, Consulting

www.JAG.CPA

INDEPENDENT AUDITOR'S REPORT

Mr. Russell Toal
Superintendent of Insurance
Office of Superintendent of Insurance
Santa Fe, New Mexico

and

Mr. Brian Colón, Esq.
New Mexico State Auditor
Santa Fe, New Mexico

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINIONS

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Office of Superintendent of Insurance (OSI) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OSI's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Office of Superintendent of Insurance as of June 30, 2022, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTERS

As discussed in Note 2, the financial statements of OSI are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of New Mexico that is attributable to the transactions of OSI. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of June 30, 2022, and changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

BASIS FOR OPINIONS

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to

be independent of OSI, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about OSI's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OSI's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the OSI's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

REQUIRED SUPPLEMENTARY INFORMATION

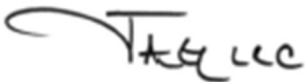
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 - 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

SUPPLEMENTARY INFORMATION

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise OSI's basic financial statements. The combining and individual non-major fund financial statements, Schedule of Joint Powers Agreement, and the Schedule of Special Appropriations are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, Schedule of Joint Powers Agreement, and the Schedule of Special Appropriations are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022 on our consideration of OSI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OSI's internal control over financial reporting and compliance.



Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 28, 2022

Management's Discussion and Analysis (Unaudited)

JUNE 30, 2022

The Office of Superintendent of Insurance (the Department or OSI) discussion and analysis is to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department's financial position (ability to address future year challenges), identify any material deviations from the financial plan, and identify any fund issues of concern.

The Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts; please read it in conjunction with the Department's financial statements and notes which follow this section.

FINANCIAL HIGHLIGHTS

The assets of the New Mexico Office of Superintendent of Insurance exceeded its liabilities at the close of the most recent fiscal year by \$45,861,283 (net assets).

The governmental net position increased by \$41,251,094. The total cost of all Department programs was \$12,748,679.

The governmental net position **increased** by **\$45,861,283**.

The **total cost** of all Department programs was **\$12,748,679**.

MISSION

The mission of the Office of Superintendent of Insurance is to provide consumers with convenient access to reliable insurance products which are underwritten by dependable and financially sound companies.

OSI strives to ensure that these companies have a proven history of fair and reasonable rates, are represented by trustworthy and qualified agents, and treat consumers fairly and honestly.

OSI is committed to insurance consumer protection, fraud prosecution, and education, striving to become one of the nation's leading regulatory agencies.

The Office of Superintendent of Insurance is **committed** to insurance consumer protection, fraud prosecution, and education, **striving** to become **one of the nation's leading regulatory agencies**.

ADMINISTRATION

The Administration Unit includes the Superintendent of Insurance, the Deputy Superintendent of Insurance, General Counsel, Office of Superintendent of Insurance legal staff, the Chief Administrative Officer, the Chief Financial Officer, Budget and Finance units, Human Resources unit, Public Information, Information Technology, and Records, all of which provide administrative support to the Office of Superintendent of Insurance.

PROGRAM HIGHLIGHTS

INFORMATION TECHNOLOGY

The OSI IT Bureau worked with staff to support their work needs as the majority of staff worked from both home and work office. They ensured that OSI staff had the needed resources to perform their job duties in their assigned work locations. In FY22, there were several new OSI staff. OSI IT ensured all new staff had the needed IT resources to make their transition to OSI seamless.

The OSI IT Bureau worked with staff to support their work needs as the majority of staff worked from both home and work office.

In addition, OSI IT worked with OSI staff to update the OSI website. The new website is more user friendly and allows Bureaus to update their site as needed. OSI IT is currently working with DoIT on a multi-factor authentication process which will make OSI’s data more secure.

OSI’S ACTUARIAL UNIT

The purpose of the Actuarial Unit is to review and approve rate filings, to monitor rate trends and practices, as well as the competitiveness of insurance markets in New Mexico, and to perform additional tasks as determined by the Superintendent of Insurance. The Chief Actuary also assists with the administration of the Patient’s Compensation Fund.

The Unit participates in NAIC committees and working groups on various issues, such as property and casualty actuarial concerns, climate risk, innovation, health and long-term care pricing, and operational risk.

In FY22 the OSI has issued a number of data calls and collected information from the insurance industry related to Homeowners and Auto lines of business. A series of data calls starting in 2020, on auto losses and premiums related to COVID-19 closures and restrictions, has ultimately resulted in \$109 million in auto premiums being refunded to New Mexico consumers. For the Homeowners line of business, the data calls were aimed at understanding the companies’ underwriting practices with respect to wildfire risk and the use of artificial intelligence. The OSI’s work on this front is ongoing and is expected to ramp up due to the emerging issues with Homeowners insurance and wildfire risk.

PRODUCER LICENSING BUREAU

The Producer Licensing Bureau licenses approximately 220,000 insurance professionals, as well as non-risk-bearing insurance entities. This includes insurance producers, agencies, surplus line brokers, adjusters, third party administrators, consultants, Pharmacy Benefit Managers, bail bondsmen, solicitors, and motor clubs, as well as limited license insurance vendors such as portable electronics, rental car and travel agents. To protect consumers, the Bureau determines the qualifications and eligibility of applicants; approves pre-licensing and continuing education courses; tracks continuing education credits; and processes license applications, renewals, and the appointment of agents by insurance companies.

The Producer Licensing Bureau licenses **approximately 220,000** insurance professionals, as well as non-risk-bearing insurance entities.

The Producer Licensing Bureau has implemented the electronic payment process as well as accepting checks for all Producers and Business Entity Licensing Fees. It is working well, as OSI is still refining the process since this is the first year of implementation.

COMPANY LICENSING BUREAU

The Company Licensing Bureau **oversees almost \$540 million** in insurance company deposits held for the protection of New Mexico policyholders and creditors.

The Company Licensing Bureau licenses insurance companies and other risk-bearing insurance-related entities such as businesses in Property, Casualty, Life, Health, Title, Surety, Marine, and Transportation. Under this, the Company Licensing Bureau receives, reviews, processes, and renders determinations on applications from insurance entities that want to enter the New Mexico insurance market. The Company Licensing Bureau oversees almost \$540 million

in insurance company deposits held for the protection of New Mexico policyholders and creditors. The Bureau also reviews and processes documentation submitted by insurance companies for acquisitions, re-domestications, mergers, and name changes.

The Company Licensing Bureau has implemented the electronic payment process as well as still receiving checks for all Company Licensing Fees. It is working well, as OSI is still refining the process since this is the first year of implementation.

CONSUMER ASSISTANCE BUREAU

The Consumer Assistance Bureau processes and resolves complaints and inquiries from consumers about insurance rates and claim handling for all insurance products, other than those involving managed health care. With the increase in insurance companies/entities entering the New Mexico insurance market, the number of complaints continues to rise. As a result of this, the Bureau recovered \$2,434,671 for consumers for FY23, almost doubled from the previous year (\$1,244,284). Because there has been a greater necessity for the Bureau's services, the Bureau will soon be adding another staff person, approved by the legislature for FY23, to meet the increased demands of the Bureau.

With the wildfires that have impacted New Mexico, the Consumer Assistance Bureau actively provided immediate on-site crucial outreach and assistance to fire victims in the affected areas throughout New Mexico, including Ruidoso, Las Vegas, Mora, Taos, Belen, and Albuquerque. Additionally, the Bureau currently manages and staffs a dedicated wildfire insurance call center (1-833-485-1336) to further assist fire victims. Like the Managed Health Care Bureau covid helpline number expansion, the Consumer Assistance Bureau intends to utilize the designated phone number to further assist all complaints by the end of the year.

INVESTIGATIONS BUREAU

As the civil enforcement arm of the OSI, the Investigations Bureau receives complaints from consumers, industry, insurance companies, state, and other government agencies. The Bureau conducts investigations of these complaints, through document review, interviewing witnesses, and developing a factual basis for allegations of violations of the Insurance Code. The Bureau also investigates whether insurance companies or producers have violated the Insurance Code by failing to comply with the state's licensing requirements. The Bureau investigates matters in which businesses claim to be exempt from regulation by falsely claiming their products are not insurance. Inquiries that warrant administrative action, discipline or prosecution are referred to the office of Legal Counsel or referred to the Fraud Bureau. Civil Investigations, the Office of Legal Counsel, and the Fraud Bureau collaborate in matters involving both civil and criminal action to ensure that New Mexico consumers are adequately protected.

EXAMINATIONS BUREAU

In FY21 and FY22, **100%** of domestic company examination reports **were adopted within 18 months** of the examination period.

The Examinations Bureau reviews Domiciled Insurance Companies Annual and Quarterly Financial Statements filed with the NAIC and Office of Superintendent of Insurance. The Bureau also conducts periodic financial examinations of domestic companies, as well as Market Conduct and Target financial examinations on Insurance Companies that write business in New Mexico. In FY21 and FY22, 100% of domestic company examination reports were adopted within 18 months of the examination period.

HEALTH POLICY & CONSUMER EDUCATION BUREAU

The Health Care Policy Bureau is primarily focused on the review of compliance filings submitted by health insurers to assure they meet all federal and state statutes and regulations, including 13.10.22 NMAC. The filings address subjects such as a Network Adequacy Plan, a Utilization Management Plan, and a Provider and Member Grievance Plan. Each compliance filing is submitted on an annual basis according to guidance issued by the Bureau, and all of these compliances must be in an approved status in order for a health plan to be certified as a Qualified Health

Plan (QHP). Only QHPs can be sold on the New Mexico Health Insurance Marketplace, known as beWellnm. Annual Report.

Much of the MHPAEA work and some of the network adequacy oversight work is conducted using federal grants from the U.S. Department of Health and Human Services.

In addition to health insurance compliance filing reviews, the Bureau also oversees Prescription Benefit Manager (PBM) statutory and regulatory compliance, management of parts of New Mexico's Vaccine Purchasing Act, and oversight of carrier compliance with the federal Mental Health Parity and Addiction Equity Act (MHPAEA.) Much of the MHPAEA work and some of the network adequacy oversight work is conducted using federal grants from the U.S. Department of Health and Human Services.

HEALTH CARE AFFORDABILITY PROGRAM

The Health Care Affordability Fund is dedicated to reducing the cost of health insurance and medical expenses for working families and became effective in January 2022. Revenues generated in FY22 were \$73.9 million. Out of this revenue approximately \$34.2 million was transferred to other agencies for Health Care Initiatives.

The Health Care Affordability Fund will be financed by replacing a recently phased-out federal fee on insurance companies with a state version by updating New Mexico's existing surtax on insurance companies from 1% to 3.75%. This fund will receive monthly distributions from the NM Taxation and Revenue Department which consists for surtax on insurance companies. These are fees that insurance companies paid the federal government for many years.

Collecting this revenue at the state level gives New Mexico the opportunity to invest in health care affordability initiatives, such as reducing premiums and out-of-pocket costs for lower-and middle-income New Mexicans who purchase coverage on New Mexico's Health Insurance Exchange, small businesses who are struggling with health care costs, and uninsured New Mexicans who don't qualify for federal assistance on the Exchange.

INSURANCE FRAUD AND AUTO THEFT PROGRAM (IFATP)

The Criminal Division ("Division") of the Office of the Superintendent of Insurance takes a multi-dimensional approach to combat insurance and auto-theft-related crimes. The Division oversees the state's Auto Theft Prevention Authority ("Authority"). The Authority is part of the prosecutorial division of the Insurance Fraud Bureau and the Criminal Investigations Section. Under the Insurance Fraud Act, §59A-16C-1 *et seq.* NMSA 1978, the Division's statutory obligations are varied and extensive. The mission of the Division is to protect the consumers of the State of New Mexico through conducting fair and impartial criminal investigations, and other related activities aimed at deterring insurance fraud. The Division remains committed to confronting the problem of insurance fraud, auto theft and arson in New Mexico by prevention, investigation, and prosecution of fraudulent insurance acts to reduce the amount of premium dollars used to pay fraudulent claims. Currently, the Division manages and oversees daily operations of an accredited law enforcement section including five sworn law enforcement personnel, three prosecutors, and three paralegals. Day to day actions include the management of investigations, surveillance, equipment, undercover operations, prosecutorial undertakings, court hearings, other related special operations, and interviews of witnesses.

Superintendent Toal and members of the Division participate on the National Association of Insurance Commissioners (NAIC). Staff participates in several different statewide jurisdictional task forces and committees. The Division members participate in the Attorney General's White Collar Identity Theft task force, Colorado Auto Theft Authority Investigators, Executive Municipal League Chiefs of Police Board and Accreditation Board of the International Association of Chiefs of Police. The Division also initiated a multi-jurisdictional Arson Task Force in conjunction with the State Fire Marshal's Office, Albuquerque Fire & Rescue and other metro area fire investigators and have resulted in several notable cases including insurance fraud cases. Members of the Division

are ongoing participants in multi-jurisdictional meetings of the regional Auto Theft Prevention Authorities from Colorado, Arizona, Texas, and New Mexico.

Division members also participate in the International Association of Auto Theft Investigators (IAATI). Formed in 1952 and recognized in 59 countries, IAATI creates an opportunity for all stakeholders (law enforcement, insurers, manufacturers, and other interested parties and companies) to work together in addressing auto theft related matters.

The National Insurance Crime Bureau Reports in 2021 that New Mexico has climbed back up on the charts to number four in the nation per capita for stolen automobiles. In 2020, New Mexico was number five in the nation and the previous three years we were number one in the nation for stolen automobile per capita.

The Division will receive its second reaccreditation with the New Mexico Municipal League Accreditation program in December 2022 at the New Mexico Law Enforcement Conference. The Senior Agent has been awarded official career advancement certification from the New Mexico Department of Public Safety Law Enforcement Academy for Command Certification and the top tier Executive Level Certification. The Special Agents have received other certification levels that include Intermediate, Advanced, First-Line Supervisor, Command, and the top tier Executive Level. It takes rigorous dedication, hundreds of hours of study and advanced training courses in specialty areas above and beyond the annual or biannual training requirements. Advanced certifications are ranked from intermediate to executive and are only awarded if criteria for the previous level(s) of certification have been met. One of the Division's senior prosecuting attorneys received the 2022 Judge Sarah M. Singleton Distinguished Service Award from the New Mexico State Bar an award that recognizes attorneys who have provided valuable service and contributions to the legal profession, and the public over a significant period of time. The Division's Attorney Supervisor has been nominated for a national award, the 2022 Prosecutor of the year with the National Coalition Against Insurance Fraud.

The Division will receive its second reaccreditation with the New Mexico Municipal League Accreditation program in December 2022 at the New Mexico Law Enforcement Conference.

Special Agents and prosecutors have participated in virtual and in person community outreach events including presenting insurance fraud and auto theft education materials to the New Car Dealer Association regional meetings, Independent Insurance Agents of New Mexico annual conference, New Mexico Law Enforcement conference. The Special Agents will participate in statewide multi-jurisdictional operations including New Mexico State Fair Law Enforcement Days, International Balloon Fiesta, Zozobra, and other insurance fraud educational or operational opportunities that are authorized by the Superintendent.

Through the NM Auto Theft Prevention authority legislation, §59A-16C-1(E) NMSA 1978, the Division is now responsible for soliciting, reviewing, and approving applications for grants to improve and support automobile theft prevention programs throughout the state.

Through §59A-16C-14 NMSA 1978, the Legislature created a statutorily separate fund for the Superintendent to carry out the provisions of the Insurance Fraud Act. The Fraud Fund receives its funding from an assessment on written premiums from insurance companies. Through the NM Auto Theft Prevention authority legislation, §59A-16C-1(E) NMSA 1978, the Division is now responsible for soliciting, reviewing, and approving applications for grants to improve and support automobile theft prevention programs throughout the state. The Authority will also seek additional funding via grants from federal, state, local governments, or private philanthropic organizations, to defray the

costs of planning, coordinating, and operating statewide automobile theft prevention law enforcement programs. Under the enabling legislation, the Authority would be obligated to administer not only its budget but to track and be accountable for these additional expenses. The statutory language obligates the Authority to report to the Legislative Finance Committee on the finances of the Authority on or before November 1 of every year. The

Superintendent of Insurance submits the annual report to the Legislature and copies of the report are provided to the Governor of the State of New Mexico.

The Life & Health Product Filing Bureau **reviews and renders determinations** on the rates and coverage provisions filed by insurance entities for products pertaining to health, life, annuities, long-term care, Medicare supplement, credit life and disability filings, and miscellaneous correlated products.

LIFE AND HEALTH PRODUCT FILING BUREAU

The Life & Health Product Filing Bureau reviews and renders determinations on the rates and coverage provisions filed by insurance entities for products pertaining to health, life, annuities, long-term care, Medicare supplement, credit life and disability filings, and miscellaneous correlated products.

The Bureau disposes of such filings where required, based on their compliance with the New Mexico Insurance Code, Insurance bulletins, Federal Regulations, and NAIC (National Association of Insurance Commissioners) guidelines. As a member of the Interstate Insurance Compact, New Mexico also participates in multi-state reviews of additional life and annuity product filings.

MANAGED HEALTH CARE BUREAU

The Managed Health Care Bureau administers and enforces New Mexico's Patient Protection Act and related health care regulations. The Managed Health Care Bureau handles complaints and inquiries from consumers experiencing denials of insurance coverage based on administrative denials or adverse determinations. The Bureau reviews external grievance appeals, proposes rule amendments, and takes appropriate enforcement action where merited. Additionally, conducting outreach presentations throughout the state to inform consumers and health care providers of their rights and responsibilities under the ACA is a prime responsibility of the Bureau.

The Bureau is in the process of promulgating new rules to streamline and simplify the member grievance process. The Bureau anticipates improving its customer service through integrating its online complaint process with the SBS database to ensure more seamless process for complaint submission and review.

Since the beginning of the COVID-19 pandemic, the Bureau has managed and staffed a call center (1-833-415-0566), serving New Mexicans with their complaints of improper charges for COVID-19 related services, including testing and vaccinations. Effective June 1, 2022, the Bureau implemented the expansion of the call center to assist with all managed care inquiries and grievances to better meet the needs of New Mexico constituents.

The Bureau **manages and staffs a COVID-19 Call Center (1-833-415-0566)**. Effective June 1, 2022, the Bureau implemented the expansion of the call center.

PATIENT'S COMPENSATION FUND

The Patient's Compensation Fund is a medical malpractice insurance excess risk-assuming function mandated by the Medical Malpractice Act that pays judgments and settlements rendered on behalf of medically injured patients. Its mission is to ensure availability and affordability of professional liability insurance for health care providers in New Mexico, which is accomplished by creating a large pool of insureds, pre-screening cases in front of a medical review panel, applying a statutory cap on non-medical damages, and very low administration costs. While most of the day-to-day administration of the Fund was transferred effective January 1, 2022 to a Third-Party Administrator - the Integrion Group - OSI continues to assist Integrion on an as-needed basis and provides high level supervision of the Fund activities.

Because of the significant legislative changes to the operation of the PCF taking place in 2022, all rolling annual coverage had to be cut off on December 31, 2021 and a new policy period commenced for all PCF insureds on January 1, 2022 with new, higher limits. As a result, the surcharges collected in Calendar Year 2021 were

significantly lower than previous years, at \$28.5 million, reflecting the partial year coverage periods. In Calendar Year 2022, with a new cycle of full year coverage periods, the surcharges will go back to their regular levels. The PCF provided medical malpractice insurance coverage to 3,887 individual medical providers and 15 hospitals in 2021.

PROPERTY AND CASUALTY PRODUCT FILING BUREAU

The Property and Casualty Product Filing Bureau reviews and renders determinations on the rates and coverage provisions filed by insurance companies for products pertaining to automobile, homeowners, workers' compensation, medical malpractice, and other assorted products. The Bureau approves or disapproves such filings where required, based on their compliance with insurance statutes, regulations, and bulletins and with OSI policies and procedures. For FY22 the bureau handled 3,280 filings, with 99.5% of them reviewed within 90 days. The Bureau also collects annual filing fees for companies that write the above-mentioned lines of business. The fees collected for FY22 totaled over \$1.5 million.

TITLE INSURANCE BUREAU

The Title Insurance Bureau regulates the title insurance industry through ratemaking and rule-making hearings held every odd-numbered year. The Bureau collects and analysis annual title agent and underwriter statistical reports, as well as agent audit procedures. The Bureau annually determines a maintenance assessment fee based upon the annual budget and administrative operating costs of the Bureau. The Bureau performs on-site title plant inspections, affiliations, appointments, bank reconciliations, no-pay no-service documentation, and premium calculations.

The Bureau performs the investigation of marketing compliance within title insurance regulations. The Bureau regulates more than 92 licensed title insurance agents and underwriters in New Mexico and investigates complaints, allegations of defalcations, marketing non-compliance, and other infractions by title agents and insurers. The Bureau coordinates with the Investigation and Fraud Bureaus for appropriate enforcement actions.

In FY21 and FY22, the Title Insurance Bureau reported \$830,975 and \$1,101,318, respectively, in assessments and penalties.

In FY21 and FY22, the Title Insurance Bureau reported \$830,975 and \$1,101,318, respectively, in assessments and penalties. The Bureau transferred the collection of assessments from checks to ACH and wired funds.

The Title Insurance Bureau has implemented the electronic payment process for the Annual Title Assessment Fees. It is working well and OSI is still refining the process since this was the first year of implementation.

USING THIS ANNUAL REPORT

The focus of this report is on both the Department (government-wide) and the major individual funds. Both perspectives (government-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison and enhance accountability. Although the Department is one of several agencies within the State of New Mexico Government, the primary Government focus in this financial report is the Department and not the State of New Mexico as a whole.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MD&A should provide an objective and easily readable analysis of the Department's financial activities based on currently known facts, decisions, or conditions. It should provide an analysis of the Department's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department’s basic financial statements. The Department’s basic financial statements comprise four components:

1	Government-wide financial statements	2	Fund financial statements	3	Budgetary comparisons	4	Notes to the financial statements
---	--------------------------------------	---	---------------------------	---	-----------------------	---	-----------------------------------

This report also contains other supplementary information, including the schedule of joint powers agreement, in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements should report all the assets, liabilities, revenues, expenses, and gains and losses of the government.

Fiduciary activities whose resources are not available to finance the government’s programs are excluded from the government-wide statements.

Most of the Department’s basic services are included in the governmental activities. State appropriations and federal grants finance most of these activities. The funds included in Governmental Activities for the Department are the General Operating Fund, Special Revenue Funds, Debt Service Fund, and Capital Project Funds.

FUND FINANCIAL STATEMENTS

Fund financial statements consist of a series of statements that focus on information about the major governmental and enterprise funds. Governmental fund financial statements also report information about a government’s fiduciary funds. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The fund financial statements are similar to the financial statements presented in the previous accounting model. The Department has two types of funds: governmental funds and fiduciary funds.

Governmental Funds: Most of the Department’s services are included in governmental funds, which focus on: (1) how cash and other financial assets that can be readily converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view and help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department’s programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

Fiduciary Funds: Fiduciary funds are used to report assets held in trustee or custodial capacity for others and therefore are not available to support OSI programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds.

BUDGETARY COMPARISONS

In addition to the MD&A, GASB #34 requires budgetary comparison schedules for the general fund and for each major special revenue fund that has a legally adopted annual budget to be presented as Required Supplementary Information (RSI).

The budgetary comparison schedules should present both the original and the final appropriated budgets for the reporting period, as well as the actual inflows, outflow, and balances, stated on the government’s budgetary basis. As required by the Office of the State Auditor in 2 NMAC 2.2, the Statements of Revenues and Expenditures – Budget and Actual are also presented. This information is provided at the approved budget level to demonstrate compliance with legal requirements.

The budget to actual statement reflected a significant difference between budgeted federal revenues and actual revenues, as well as budgeted expenditures and actual expenditures. The primary cause for both of these differences is related to multi-year federal grants and the related contractual obligations against these grants. The budgeted federal revenues and expenditures (in both the Contractual and Other Costs categories) are higher based on encumbering the entire amount of these multi-year federal contracts. Because the full amounts of these multi-year contracts are encumbered, there is a related increase in the budgeted revenues and budgeted expenditures. The actual federal revenues and expenditures only include expended funds for this fiscal year and are therefore significantly lower than budgeted amounts. This difference does not indicate a significant shortfall in budgeted revenues or expenditures, but is instead related to the process of fully encumbering multi-year federal grant commitments.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements consist of notes that provide information that is essential to a user's understanding of the basic financial statements.

FINANCIAL ANALYSIS OF THE DEPARTMENT AS A WHOLE

Net Position: Table A-1 summarizes the Department's net position for the fiscal year ended June 30, 2022. Total Department net position for fiscal year 2022 was \$45,861,283.

Net position – net investments in capital assets (net of related debt) in Governmental Activities was \$409,332 at the end of the fiscal year. Restricted net position was \$45,451,951.

TABLE A-1

THE DEPARTMENT'S NET POSITION

	June 30, 2022	June 30, 2021	Amount Change	Total % Change
ASSETS				
Current assets	\$ 47,729,807	\$ 6,865,235	\$ 40,864,572	595%
Capital assets, net of depreciation	<u>1,026,957</u>	<u>574,131</u>	<u>452,826</u>	79%
Total assets	<u>\$ 48,756,764</u>	<u>\$ 7,439,366</u>	<u>\$ 41,317,398</u>	555%
LIABILITIES				
Current liabilities	\$ 1,380,877	\$ 1,739,663	\$ (358,786)	-21%
Long-term liabilities	<u>417,667</u>	<u>-</u>	<u>417,667</u>	N/A
Total liabilities	<u>1,798,544</u>	<u>1,739,663</u>	<u>58,881</u>	3%
DEFERRED INFLOWS OF RESOURCES	<u>1,096,937</u>	<u>1,089,514</u>	<u>7,423</u>	1%
NET POSITION				
Net investment in capital assets	409,332	574,131	(164,799)	-29%
Restricted	<u>45,451,951</u>	<u>4,036,058</u>	<u>41,415,893</u>	1026%
Total net position	<u>45,861,283</u>	<u>4,610,189</u>	<u>41,251,094</u>	895%
Total liabilities, deferred inflows, and net position	<u>\$ 48,756,764</u>	<u>\$ 7,439,366</u>	<u>\$ 41,317,398</u>	555%

The Department's net position increased \$41,251,094 over the course of this fiscal year's operations. The following financial information is a comparison of net position for 2022 and 2021.

The total assets consist of cash and cash equivalents, interest in the State Treasurer's General Fund Investment Pool, receivables from the federal government for grants, receivables from other entities, other receivables, and capital assets (net of accumulated depreciation). Total assets increased by \$41,317,398 in 2022. This increase was comprised of the newly created Health Care Affordability Fund. Total liabilities consist of amounts due to other state agencies, accounts payable, unearned revenue amounts due to fiduciary funds, accrued salaries and employee benefits payable, amounts due to the state's general fund, and the current amount of other obligations and compensated absences payable. Net position is comprised of investment in capital assets and restricted amounts.

The variances consist of:

Total assets: Total assets increased by \$41,317,398 in 2022. This increase is primarily comprised of revenues received for the newly created Health Care Affordability Fund.

Total liabilities: OSI's long-term liabilities also increased by \$417,667 or 100% in FY22. This liability increase is due to the fact that GASB 87 required OSI to record the long-term liability due on the Albuquerque building lease.

Total net position: The net position for the Department increased from 2021 by \$41,251,094. The Department's total revenue increased by \$5,515,638, from \$14,363,703 to \$19,879,341. The Department's total expenses increased by \$2,427,072, from \$10,321,607 to \$12,748,679.

Changes in Net Position. The Department's change in net position for fiscal year 2022 was an increase of \$39,939,173 (see Table A-2). A significant portion, seventy-six percent (76%), of the Department's revenue comes from Health Care Affordability Revenue. Nineteen percent (19%) comes from charges for services, one percent (1%) from special appropriations, three percent (3%) comes from fraud assessments, and one percent (1%) comes from continuing education fees.

TABLE A-2
CHANGE IN THE DEPARTMENT'S NET POSITION

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Amount Change</u>	<u>Total % Change</u>
REVENUES				
Program revenues				
Charges for services	<u>\$ 19,879,341</u>	<u>\$ 14,363,703</u>	<u>\$ 5,515,638</u>	38%
Total program revenues	<u>19,879,341</u>	<u>14,363,703</u>	<u>5,515,638</u>	38%
General revenues				
General Fund Appropriations	<u>1,140,000</u>	575,000	565,000	98%
Healthcare Affordability Fund assessments	<u>73,961,977</u>	-	73,961,977	N/A
Fraud fund assessments	<u>2,406,796</u>	2,424,030	(17,234)	-1%
Continuing education fees	<u>237,655</u>	176,019	61,636	35%
Other revenue	<u>34,915</u>	-	34,915	N/A
Reversions to State General Fund	<u>(10,498,411)</u>	<u>(6,592,324)</u>	<u>(3,906,087)</u>	59%
Total general revenues	<u>67,282,932</u>	<u>(3,417,275)</u>	<u>70,700,207</u>	2069%
Special Item - Transfers				
Transfers from fiduciary fund	<u>816,500</u>	687,100	129,400	19%
Transfers - other financing uses	<u>(33,979,000)</u>	-	(33,979,000)	N/A
Total special item - transfers	<u>(33,162,500)</u>	<u>687,100</u>	<u>(33,849,600)</u>	-4926%
Total general revenues and special item - transfers	<u>34,120,432</u>	<u>(2,730,175)</u>	<u>36,850,607</u>	1350%

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Amount Change</u>	<u>Total % Change</u>
EXPENSES				
Insurance regulation	<u>12,748,679</u>	<u>10,321,607</u>	<u>2,427,072</u>	24%
Change in net position	41,251,094	1,311,921	39,939,173	3044%
Net position - beginning of year	<u>4,610,189</u>	<u>3,298,268</u>	<u>1,311,921</u>	40%
Net position - end of year	\$ 45,861,283	\$ 4,610,189	\$ 41,251,094	895%

Total Revenues. Revenue received is comprised mostly of Health Care Affordability Fund insurance premium tax which totals \$73,961,977, but also includes charges of services, fraud fund assessments, and continuing education fees.

Total Expenses. The expenses consist of Personal Services and Benefits, Contractual Services, and Other Expenses. Other expenses cover operational expenditures of the Department, including utilities, postage and rent of equipment. In FY22, OSI spent the majority of its budget within the Personal Services and Employee Benefits Category. Significant expenditures in FY22 were within the Contractual Services category.

FUND BALANCE

As the Department completed the year, its governmental funds reported a combined fund balance of \$45,929,721, which is \$41,450,035 higher than last year. There was a significant surplus of revenues over expenditures.

There was a significant surplus of revenues over expenditures.

The ending fund balance of \$41.4 million is comprised of restricted amounts and prepaid expenses.

The general fund is the chief operating fund for the Department. The general fund reverts all unreserved fund balance except for restricted amounts classified for Title, Fraud, and special appropriations.

The **total fund balance** of the Department's governmental funds **increased by \$41,450,035** during the current fiscal year.

The total fund balance of the Department's governmental funds increased by \$41,450,035 during the current fiscal year. This majority of the increase was attributed to the newly created Health Care Affordability Fund which ended FY22 with a \$39,732,977 fund balance, an increase of \$739,652 for the General Operating Fund, and an increase of \$369,484 for the fund balance of the Insurance Fraud Fund.

Besides the Health Care Affordability Fund, the other major fund is the General Fund, Insurance Operations Fund, and the Insurance Suspense Fund. The insurance Operations Fund is a reverting fund and reverts all unreserved fund balance thus carrying a \$0 fund balance. The Insurance Suspense Fund holds monies throughout the fiscal year that get distributed monthly to other state agencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

The New Mexico State Legislature makes annual appropriations to the Department. Amendments to the appropriated budget require approval by the Budget Division of the Department of Finance and Administration with review by the Legislative Finance Committee.

Over the course of the year, the Department adjusts its budget as authorized in the Appropriations Act. The budget adjustments fall into three categories:

- Supplemental and special appropriations that are reflected in the actual beginning account balances (correcting the estimated amounts in the budget adopted for the fiscal year).
- Budget adjustment requests made during the fiscal year to allow the Department to utilize funds where needed.
- Budget adjustment requests that increase or decrease other state funds based on actual revenues.

CAPITAL ASSETS

At the end of fiscal year 2022, the Department has invested a total of \$409,332 in governmental-type activities in a variety of capital assets (fixed assets), net of related debt. This amount represents a net increase of \$747,603 (including additions and deductions, excluding depreciation), which is approximately a 50% increase over last fiscal year. The major increases in capital assets during the fiscal year were in the areas of vehicles and right to use leased assets.

TABLE A-3

DEPARTMENT'S CAPITAL ASSETS (IN THOUSANDS)

	June 30, 2022	June 30, 2021	Amount Change	Total % Change
Computer equipment	\$ 875.8	\$ 946.4	\$ (70.6)	-7%
Furniture and fixtures	6.8	6.8	-	0%
Vehicles and automotive	536.5	536.5	-	0%
Right to use lease buildings	818.3	-	818.3	N/A
Total capital assets	\$ 2,237.4	\$ 1,489.7	\$ 747.7	50%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Department's budget is appropriated to the following programs:

- Insurance Policy
- Patient Compensation Fund
- Special Revenue Fund

The Department's operating budget for FY22 is \$194,261,100, which includes \$8,885,200 in GAAP duplication. The Department had 97 full-time equivalents (FTE).

The Department's **operating budget for FY22 is \$194,261,100**, which includes \$8,885,200 in GAAP duplication.

As required by the Accountability in Government Act, fiscal year 2022 was the 19th year the Department has submitted performance based and program budgets. The Department continues to work with the Legislative Finance Committee (LFC) and the State Budget Division to report and streamline measures that are meaningful and useful.

CONTACTING THE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, legislators and investors and creditors with a general overview of the Department's finances and to demonstrate the Department's accountability for the money it receives.

If you have any questions about this report or need additional financial information, contact:

New Mexico Office of the Superintendent of Insurance

Budget and Finance
1120 Paseo de Peralta
Santa Fe, New Mexico 87501
505-827-4596



Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
ASSETS	
Current Assets	
Interest in State General Fund Investment Pool	\$ 5,616,787
Other receivables	789,768
Allowance for uncollectible receivables	(477,919)
Due from other state agencies	41,772,376
Prepaid expenses	28,795
Total current assets	47,729,807
Capital Assets	
Capital assets, net of depreciation and amortization	1,026,957
Total assets	48,756,764
LIABILITIES	
Current Liabilities	
Accounts payable and accrued expenses	418,192
Payroll benefits and taxes payable	72,477
Accrued wages payable	210,460
Compensated absences	477,770
Lease liability	199,958
Other liabilities and unearned revenues	2,020
Total current liabilities	1,380,877
Long-term Liabilities	
Lease liability	417,667
Total liabilities	1,798,544
DEFERRED INFLOWS OF RESOURCES	
Unearned revenues - title insurance fees	1,096,937
NET POSITION	
Net Investment in capital assets	409,332
Restricted for Special Purposes	45,451,951
Total net position	\$ 45,861,283

See Accompanying Notes.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Insurance Regulation	\$ 12,748,679	\$ 19,879,341	\$ -	\$ -	\$ 7,130,662
Total governmental activities	\$ 12,748,679	\$ 19,879,341	\$ -	\$ -	7,130,662
General Revenues					
General Fund Appropriations					1,140,000
Health Care Affordability Fund assessments					73,961,977
Fraud fund assessments					2,406,796
Continuing education fees					237,655
Other revenue					34,915
Reversions to the State General Fund - See Note 9					(10,498,411)
Special Items - Transfers					
Transfer from Fiduciary Fund					816,500
Transfers - other financing uses					(33,979,000)
Total General Revenues and Special Items					34,120,432
Change in net position					41,251,094
Net position - beginning of year					4,610,189
Net position - end of year					\$ 45,861,283

See Accompanying Notes.

BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Operating Fund 11690	Insurance Operations Fund 11810	Insurance Fraud Fund 11880
ASSETS			
Interest in State General Fund			
Investment Pool	\$ 2,497,986	\$ -	\$ 1,748,266
Due from other funds	-	-	-
Due from other state agencies	-	-	-
Other receivables, net	119,554	-	196,318
Allowance for uncollectible receivables	(4,223)	-	-
Prepaid expenses	28,795	-	-
Total assets	\$ 2,642,112	\$ -	\$ 1,944,584
LIABILITIES			
Interest in State General Fund			
Investment Pool	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	355,153	-	52,173
Payroll benefits and taxes payable	57,476	-	12,792
Accrued wages payable	172,579	-	31,965
Due to State General Fund	-	-	-
Due to other state agencies	-	-	-
Other liabilities and unearned revenues	-	-	20
Stale dated warrants	-	-	-
Total liabilities	585,208	-	96,950
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - title insurance fees	-	-	-
FUND BALANCES			
Nonspendable			
Inventory	-	-	-
Prepaid expenses	28,795	-	-
Restricted			
Special purposes	2,028,109	-	1,847,634
Total fund balances	2,056,904	-	1,847,634
Total liabilities, deferred inflows, and fund balances	\$ 2,642,112	\$ -	\$ 1,944,584

BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2022

	Health Care Affordability Fund 21890	Other Governmental Funds	Total Governmental Funds
ASSETS			
Interest in State General Fund			
Investment Pool	\$ -	\$ 3,409,934	\$ 7,656,186
Due from other funds	-	-	-
Due from other state agencies	41,772,376	-	41,772,376
Other receivables, net	-	473,896	789,768
Allowance for uncollectible receivables	-	(473,696)	(477,919)
Prepaid expenses	-	-	28,795
Total assets	\$ 41,772,376	\$ 3,410,134	\$ 49,769,206
LIABILITIES			
Interest in State General Fund			
Investment Pool	\$ 2,039,399	-	\$ 2,039,399
Accounts payable and accrued expenses	-	10,866	418,192
Payroll benefits and taxes payable	-	2,209	72,477
Accrued wages payable	-	5,916	210,460
Due to State General Fund	-	-	-
Due to other state agencies	-	-	-
Other liabilities and unearned revenues	-	2,000	2,020
Stale dated warrants	-	-	-
Total liabilities	2,039,399	20,991	2,742,548
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - title insurance fees	-	1,096,937	1,096,937
FUND BALANCES			
Nonspendable			
Inventory	-	-	-
Prepaid expenses	-	-	28,795
Restricted	-	-	-
Special purposes	39,732,977	2,292,206	45,900,926
Total fund balances	39,732,977	2,292,206	45,929,721
Total liabilities, deferred inflows, and fund balances	\$ 41,772,376	\$ 3,410,134	\$ 49,769,206

See Accompanying Notes.

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022

Total Fund Balances - Governmental Funds	\$ 45,929,721
---	----------------------

**Amounts reported for governmental activities in the Statement of
Net Position are different because:**

Governmental capital assets	2,237,357	
Accumulated depreciation and amortization	<u>(1,210,400)</u>	
		1,026,957
Leases payable recorded in the Statement of Net Position, but not recorded in the governmental funds		(617,625)
Compensated absences recorded in the Statement of Net Position, but not recorded in the governmental funds		<u>(477,770)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 45,861,283</u>
---	-----------------------------

See Accompanying Notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Operating Fund 11690	Insurance Operations Fund 11810	Insurance Fraud Fund 11880
REVENUES			
Insurance tax	\$ -	\$ -	\$ 2,406,796
Miscellaneous	24,915	-	-
Other fees	412,580	17,344,498	12,000
Total revenues	437,495	17,344,498	2,418,796
EXPENDITURES			
Current			
Personal services and employee benefits	6,837,820	-	1,273,915
Contractual services	1,719,888	-	15,770
Other costs	1,214,097	-	549,711
Debt Service			
Principal	130,877	-	69,784
Interest	35	-	19
Capital outlay	-	-	11,711
Total expenditures	9,902,717	-	1,920,910
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	(9,465,222)	17,344,498	497,886
Other Financing Sources (Uses)			
Lease financing	535,487	-	282,798
State General Fund appropriations	1,140,000	-	-
Operating Transfers In - Intra-Agency	8,913,500	-	-
Operating Transfers Out - Intra-Agency	-	(7,230,200)	(411,200)
Reversions to State General Fund - FY22	(309,630)	(10,114,298)	-
Reversions to State General Fund - FY21	(74,483)	-	-
Operating Transfers In Inter-Agency	-	-	-
Operating Transfers Out Inter-Agency	-	-	-
Total other financing sources (uses)	10,204,874	(17,344,498)	(128,402)
Net changes in fund balances	739,652	-	369,484
Fund Balances - beginning	1,317,252	-	1,478,150
Fund Balances - ending	\$ 2,056,904	\$ -	\$ 1,847,634

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
(CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

	Health Care Affordability Fund 21890	Other Governmental Funds	Total Governmental Funds
REVENUES			
Insurance tax	\$ 73,961,977	\$ -	\$ 76,368,773
Miscellaneous	-	10,000	34,915
Other fees	-	1,328,973	19,098,051
Total revenues	73,961,977	1,338,973	95,501,739
EXPENDITURES			
Current			
Personal services and employee benefits	-	319,299	8,431,034
Contractual services	-	195,018	1,930,676
Other costs	-	11,134	1,774,942
Debt Service			
Principal	-	-	200,661
Interest	-	-	54
Capital outlay	-	-	11,711
Total expenditures	-	525,451	12,349,078
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	73,961,977	813,522	83,152,661
Other Financing Sources (Uses)			
Lease financing	-	-	818,285
State General Fund appropriations	-	-	1,140,000
Operating Transfers In - Intra-Agency	-	-	8,913,500
Operating Transfers Out - Intra-Agency	(250,000)	(205,600)	(8,097,000)
Reversions to State General Fund - FY22	-	-	(10,423,928)
Reversions to State General Fund - FY21	-	-	(74,483)
Operating Transfers In Inter-Agency	-	-	-
Operating Transfers Out Inter-Agency	(33,979,000)	-	(33,979,000)
Total other financing sources (uses)	(34,229,000)	(205,600)	(41,702,626)
Net changes in fund balances	39,732,977	607,922	41,450,035
Fund Balances - beginning	-	1,684,284	4,479,686
Fund Balances - ending	\$ 39,732,977	\$ 2,292,206	\$ 45,929,721

See Accompanying Notes.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

Net Changes in Fund Balances - Total Governmental Funds	\$ 41,450,035
--	----------------------

Amounts reported for governmental activities in the Statement of
Activities are different because:

Long-term debt principal payment made during the year		200,660
Capital asset additions	\$ 11,711	
Depreciation and amortization expense	<u>(377,170)</u>	
Change in capital assets		(365,459)
Change in compensated absences		<u>(34,142)</u>

Change in Net Position	<u>\$ 41,251,094</u>
-------------------------------	-----------------------------

See Accompanying Notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL OPERATING FUND - 11690 (P795)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Insurance tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Special appropriation	-	1,540,000	1,140,000	(400,000)
Other financing sources	8,045,800	8,485,200	9,448,987	963,787
Other state funds	350,000	1,005,300	412,580	(592,720)
Miscellaneous	-	-	24,915	24,915
Federal revenue	-	-	-	-
Other fees	-	-	-	-
Total revenues	8,395,800	11,030,500	11,026,482	(4,018)
Fund balance budgeted	-	-	-	-
Total revenues and fund balances	8,395,800	11,030,500	11,026,482	(4,018)
EXPENDITURES				
Personal services and employee benefits	7,031,900	6,988,900	6,837,820	151,080
Contractual services	539,400	3,072,100	1,719,888	1,352,212
Other	824,500	969,500	809,521	159,979
Other financing uses	-	-	535,488	(535,488)
Total expenditures	\$ 8,395,800	\$11,030,500	9,902,717	\$ 1,127,783
Excess of revenues over expenditures			1,123,765	
GAAP Basis Reconciliation				
Reversions to State General Fund - See Note 9			384,113	
Net change in fund balances			\$ 739,652	

See Accompanying Notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
INSURANCE OPERATIONS FUND - 11810 (P790)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Insurance tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Special appropriation	-	-	-	-
Other state funds	-	-	-	-
Miscellaneous	-	-	-	-
Federal revenue	-	-	-	-
Other fees	6,640,800	7,230,200	17,344,497	10,114,297
Total revenues	6,640,800	7,230,200	17,344,497	10,114,297
EXPENDITURES				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	6,640,800	7,230,200	7,230,200	-
Total expenditures	\$ 6,640,800	\$ 7,230,200	7,230,200	\$ -
Excess of revenues over expenditures			10,114,297	
GAAP Basis Reconciliation				
Reversions to State General Fund - See Note 9			(10,114,297)	
Net change in fund balances			\$ -	

See Accompanying Notes.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
INSURANCE FRAUD FUND - 11880 (P795)
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Budgetary Basis Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Insurance tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Special appropriation	-	-	-	-
Other state funds	2,328,300	2,328,300	2,689,594	(361,294)
Miscellaneous	-	-	12,000	(12,000)
Federal revenue	-	-	-	-
Other fees	-	-	-	-
Fund Balance Budgeted	-	-	-	-
Total revenues & fund balances	2,328,300	2,328,300	2,701,594	(373,294)
EXPENDITURES				
Personal services and employee benefits	1,337,200	1,337,200	1,273,915	63,285
Contractual services	201,800	129,800	15,770	114,030
Other	378,100	450,100	631,225	(181,125)
Other financing uses	411,200	411,200	411,200	-
Total expenditures	\$ 2,328,300	\$ 2,328,300	2,332,110	\$ (3,810)
Excess of revenues over expenditures			369,484	
GAAP Basis Reconciliation				
Reversions to State General Fund - See Note 9			-	
Net change in fund balances			\$ 369,484	

See Accompanying Notes.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
HEALTH CARE AFFORDABILITY FUND - 21890 (P795)
FOR THE YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Budgetary Basis	Variance with
	Original	Final	Actual Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Insurance tax	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-
Special appropriation	34,229,000	92,229,000	73,961,977	18,267,023
Other state funds	-	-	-	-
Miscellaneous	-	-	-	-
Federal revenue	-	-	-	-
Other fees	-	-	-	-
Fund Balance Budgeted	-	-	-	-
Total revenues & fund balances	<u>34,229,000</u>	<u>92,229,000</u>	<u>73,961,977</u>	<u>18,267,023</u>
EXPENDITURES				
Personal services and employee benefits	-	-	-	-
Contractual services	-	-	-	-
Other	-	-	-	-
Other financing uses	34,229,000	92,229,000	34,229,000	58,000,000
Total expenditures	<u>\$ 34,229,000</u>	<u>\$ 92,229,000</u>	<u>34,229,000</u>	<u>\$ 58,000,000</u>
Excess of revenues over expenditures			39,732,977	
GAAP Basis Reconciliation				
Reversions to State General Fund - See Note 9			-	
Net change in fund balances			<u>\$ 39,732,977</u>	

See Accompanying Notes.

Fiduciary Fund Financial Statements

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

PATIENT'S COMPENSATION FUND - 11850

JUNE 30, 2022

	Private- Purpose Trust
ASSETS	
Interest in State General Fund Investment Pool	\$ 110,569,668
Accounts receivable	724,210
Investments, at fair value	
Core Bond Fund	27,195,240
Large Cap Index	6,739,036
Non US Developed Index	2,067,798
Non US Emerging Markets	1,529,766
Mid/Small Cap	2,148,649
Total investments	39,680,489
Prepaid insurance contract	1,687,815
Total assets	152,662,182
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Accounts payable and accrued expenses	2,245,404
Payroll benefits and taxes payable	316
Accrued wages payable	1,000
Other liabilities	-
Long-term claims/liabilities	193,989,169
Total liabilities	196,235,889
DEFERRED INFLOWS OF RESOURCES	26,965,065
NET POSITION	
Held in trust for claims (deficit)	\$ (70,538,772)

See Accompanying Notes.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
PATIENT'S COMPENSATION FUND - 11850
FOR THE YEAR ENDED JUNE 30, 2022

	Private- Purpose Trust
ADDITIONS	
Plan participant surcharges	\$ 50,512,446
State General Fund appropriation	<u>30,000,000</u>
	<u>80,512,446</u>
Investment earnings	
Net decrease in fair value of investments	(6,199,278)
Interest	<u>160,669</u>
Total investment earnings	<u>(6,038,609)</u>
Miscellaneous	<u>59,375</u>
Total additions	<u>74,533,212</u>
DEDUCTIONS	
Personnel services and employee benefits	136,870
Contractual services	926,410
Other costs	2,444,466
Capital outlay	-
Claims paid	42,484,641
Claims legally authorized at June 30	-
Actuarial adjustment to estimated claims	6,400,197
Other intra-agency transfer	<u>816,500</u>
Total deductions	<u>53,209,084</u>
Change in net position	21,324,128
Net position - beginning of year (deficit)	<u>(91,862,900)</u>
Net position - end of year (deficit)	<u>\$ (70,538,772)</u>

See Accompanying Notes.

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
POLICY HOLDERS AND CREDITORS - 11870
JUNE 30, 2022

	Private-Purpose Trust
ASSETS	
Cash held in banks for ancillary receiverships	\$ 3,832,336
Investments, at fair value	
US Government Obligations	446,025,739
Other Governmental Bonds	75,832,430
Corporate Investments	8,774,870
Other Investments	9,301,000
Total investments	539,934,039
Total assets	543,766,375
LIABILITIES	
Policy holders & creditors payable	-
Earnings payable per 59A-10-7 NMSA 1978	-
Vouchers payable	-
Other liabilities	-
Total liabilities	-
NET POSITION	
Held in trust for policy holders and creditors	\$ 543,766,375

See Accompanying Notes.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
POLICY HOLDERS AND CREDITORS - 11870
FOR THE YEAR ENDED JUNE 30, 2022

	Private-Purpose Trust
ADDITIONS	
Ancillary receivership deposits	\$ -
Earnings from ancillary accounts	1,159
Investments	
General & Special Deposits Received	155,052,902
Net decrease in fair value of investments	(57,537,619)
Total investment earnings	<u>97,515,283</u>
Total additions	<u>97,516,442</u>
DEDUCTIONS	
Ancillary receivership legal services	67,149
Distributions to NM Property & Casualty Guaranty Association	-
Other - service charge	235
Investments	
General & Special Deposit Withdrawals	132,498,024
Earnings Paid Per 59A-10-7 NMSA 1978	-
Total deductions	<u>132,565,408</u>
Change in net position	(35,048,966)
Net position - beginning of year	<u>578,815,341</u>
Net position - end of year	<u>\$ 543,766,375</u>

See Accompanying Notes.

Notes to Financial Statements

JUNE 30, 2022

NOTE 1. HISTORY AND FUNCTION

The Office of Superintendent of Insurance (the Department or OSI) was created on July 1, 2013, pursuant to the passage of Constitutional Amendment 4 during the 2012 General Election and the subsequent enactment of House Bill 45 (Laws of 2013, Chapter 74) from the 1st Session of the 51st Legislature. These actions removed the insurance regulatory function from the Public Regulation Commission (where it was housed as the “Insurance Division”) and placed it in a newly created adjunct state agency entitled the “Office of Superintendent of Insurance.” The enabling legislation also created an Insurance Nominating Committee to appoint the Superintendent of Insurance.

The chief executive of the Department is the Superintendent of Insurance, who is appointed by the Insurance Nominating Committee. The current Superintendent was appointed by the Insurance Nominating Committee in November 2019 and this appointment runs through December 31, 2024. These financial statements include all funds, account groups and activities over which the Superintendent has oversight responsibility. The Superintendent has decision-making authority, the power to designate management, the responsibility to significantly influence operations and has primary accountability for fiscal matters.

A primary government is any state or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Office, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State. The Department is not included in any other governmental “reporting entity” as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. Copies of the State of New Mexico’s Annual Comprehensive Financial Report can be requested from the Department of Finance and Administration, Financial Control Division/State Controller, Bataan Memorial Building Room 320, Santa Fe, NM 87501.

In accordance with the criteria set forth in Governmental Accounting Standards Board (GASB) Statements No. 39 and 61 for determining component units, OSI does not have component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The financial statements for OSI have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards that along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. More significant of these accounting policies are described below.

GASB Statement No. 87, *Leases*. This statement was adopted by OSI on July 1, 2021 and did have a material impact on the financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The statement was adopted by OSI on July 1, 2021 and did not have a material effect on the financial statements.

GASB Statement No. 92, *Omnibus 2020*. The statement was adopted by OSI on July 1, 2021 and did not have a material effect on the financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The statement was adopted by OSI on July 1, 2021 and did not have a material effect on the financial statements.

The Department complies with GASB No. 54. In the governmental fund financial statements, fund balances are classified as non-spendable, restricted, or unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State. Assigned fund balance is constrained by the Legislature’s and Executive Branch’s intent to be used for specific purposes or in some cases by legislation.

The above statement did not have a significant impact on the financial statements of the Department.

B. BASIC FINANCIAL STATEMENTS

The reporting model focus is on either OSI as a whole or major individual funds (within the fund financial statements).

The basic financial statements include both government-wide (based on OSI as a whole) and fund financial statements. The reporting model focus is on either OSI as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type activities.

OSI is a single purpose government entity and has no business-type activities. In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis by column using the economic resources measurement focus and the accrual basis of accounting and incorporates long-term assets and receivables as well as long-term debt and obligations. Additionally, internal activity has been eliminated at this level of presentation.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (education, labor, transportation, etc.), which are otherwise being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation expense on capital assets) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function which consists of grants and fees.

The net cost is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds of the governmental categories. Non-major funds (by category) or fund type are summarized into a single column. OSI’s major funds are the General Fund and the Insurance Operations Fund.

OSI’s major funds are the General Fund, Insurance Operations Fund, Insurance Fraud Fund, and the Healthcare Affordability Fund.

The governmental fund statements are presented on the current financial resource’s measurement focus and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how OSI’s actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements’ governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column on the governmental-wide presentation.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

OSI's fiduciary funds (two private-purpose trust funds) are presented in the fund financial statements in total. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Conversely other governmental resources cannot be used to address activities or obligations of the fiduciary funds.

C. BASIS OF PRESENTATION

The financial transactions of the Department are recorded in individual funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses, and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements.

OSI uses the following fund types:

Governmental Fund Types

All governmental fund types are accounted for on a spending or financial flow measurement focus. Only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance (net current assets) is considered a measure of available spendable resources. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. The Special Revenue Funds are used to account for the proceeds of specific revenue sources and expenditures. (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. State Statute governs how much, if any, amounts remaining in these funds revert to the State at year end. The following is a description of the Governmental Funds of the Department.

Major Funds:

General Fund (SHARE Fund 11690): (Also known as the Insurance Operating Fund) This fund is the general operating fund of the Department and considered a major fund. It is used to account for all financial resources except those required to be accounted for in another fund. This is a reverting fund, with the exception of amounts received from federal grants and other proceeds legally restricted.

Insurance Operations Fund (SHARE Fund 11810): A major special revenue fund that consists of the money received by OSI that is part of the balance derived from the fees imposed pursuant to subsections A & E of 59A-6-1 NMSA 1978 other than the fees derived from property and vehicle insurance business. The legislature shall annually appropriate from the fund to OSI those amounts necessary for the division to carry out its responsibilities pursuant to the Insurance Code and other laws. Any balance in the fund at the end of a fiscal year greater than one-half of that fiscal year's appropriation shall revert to the general fund.

Insurance Fraud Fund (SHARE Fund 11880): A major special revenue fund to account for fees collected under the provisions of the Insurance Fraud Act pursuant to Section 59A-16C-14 NMSA 1978. This fee is not less than \$200 and is not greater than 1/10th of 1% of all premiums on policies written in New Mexico. Direct written premiums for workers compensation are excluded from calculations for this fund. The fraud assessment for title insurers is determined per Section 59A-30-8 NMSA 1978. This fee is set annually to produce the amount of funds estimated as necessary to pay all expenses of carrying out the provisions of the Insurance Fraud Act. This is a continuing and non-reverting fund.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Health Care Affordability Fund (SHARE Fund 21890): To account for premium tax fees collected under the provisions of the Health Care Affordability Fund Act pursuant to Senate Bill 317, 2022 legislative session. The provisions of this Act are effective January 1, 2022. The premium tax is imposed at the rate of 3.5% of the gross premiums and membership and policy fees as of March first of each year. The law allows the Fund to be used to: Reduce premiums and out-of-pocket health care costs for New Mexicans who qualify for coverage on beWellnm, the state's Health Insurance Marketplace; reduce premiums for small businesses and their employees; provide resources for planning, design, and implementation of health care coverage initiatives for uninsured New Mexico residents; and provide resources for administration of state health care coverage initiatives for uninsured New Mexico residents.

Non-major Funds:

Insurance Suspense Fund (SHARE Fund 11820): This is a reverting fund (59A-6-5 NMSA 1978).

Insurance Licensee Continuing Education (SHARE Fund 11830): To account for funds received and expended for the purpose of administering the continuing education program pursuant to the provision of Section 59A-12-26 NMSA 1978. The fund is non-reverting.

Insurance Examination Fund (SHARE Fund 11840): To account for funds received from insurance companies and insurance agencies which have been financially audited and examined for financial solvency. Remuneration and expenses of salaried personnel of the Insurance Department serving in the examination shall be paid to the Superintendent pursuant to Section 59A-4-14 NMSA 1978 and all money in excess of \$20k remaining in the fund and unencumbered at fiscal year-end reverts to the general fund.

Title Insurance Maintenance Fund (SHARE Fund 11860): To account for fees relating to the New Mexico Title Insurance Law pursuant to Sections 59A-30-1 through 59A-30-14 NMSA 1978. The maintenance fee is not greater than 1% of all title insurance premiums written in New Mexico. This rate is set annually and is set to produce the amount of funds necessary to pay all expenses of regulating the business of title insurance, including the compensation and expenses of salaried personnel and consultants employed by the office. This is a non-reverting fund.

Fiduciary Fund Types

Fiduciary funds are used to report assets held in trustee or custodial capacity for others and, therefore, are not available to support OSI programs. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds.

Patient's Compensation Fund (PCF) (SHARE Fund 11850): A private-purpose trust fund to account for funds accumulated for payments of claims for bodily injury or death due to malpractice by a health care provider insured under the Medical Malpractice Act. This fund was created by Section 41-5-1 through 42-5-28, NMSA 1978 "Medical Malpractice Act". The purpose of the act is to promote the health and welfare of the people of New Mexico by making available professional liability insurance for health care providers in New Mexico.

Assets Held in Trust for Policy Holders and Creditors Fund (SHARE Fund 11870): A private-purpose trust fund to account for assets held in trust per 59A-5-18 and 59A-5-19 NMSA 1978. The insurance code requires companies wishing to transact business in New Mexico to deposit certain securities in trust for the benefit of policy holders and creditors. Insurance company rights during solvency are detailed in 59A-10-7 and include any earnings on these required deposits. When a delinquency occurs, the securities are liquidated for policy holders and creditors according to 59A-41-18 NMSA 1978.

Non-Current Governmental Assets/Liabilities

GASB Statement No. 34 eliminated the presentation of Account Groups for capital assets and long-term debt but provides for these records to be maintained and incorporates the information into the Governmental column in the Government-wide Statement of Net Position.

D. BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applies.

The Government-wide Financial Statements and the Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

Accrual: Under the accrual method of accounting revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: All governmental funds utilize the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and other governmental fund resource increments are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the current fiscal period; “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Department considers funds available if received within “60 days” after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

Revenues from grants that are restricted for specific uses are recognized as revenues and as receivables when the related costs are incurred and all other eligibility requirements are met. Contributions and other monies held by other state and local agencies are recorded as a receivable at the time the money is made available to the specific fund. Revenues collected for future periods are deferred until available. All other revenues are recognized when they are received and are not susceptible to accrual.

Program revenues consist of federal grants. Charges for services consist primarily of fees charged to regulated entities.

Expenditures are recorded as liabilities when incurred. An exception to this general rule is that accumulated unpaid annual, compensatory, and certain sick leave are accrued as current liabilities. Expenditures charged to federal programs are recorded utilizing the cost principle described by the various funding sources.

In applying the “susceptible to accrual” concept to intergovernmental revenues pursuant to GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

E. BUDGETS AND BUDGETARY ACCOUNTING

The New Mexico State Legislature makes annual appropriations to the Department, which lapse at fiscal year-end. Legal compliance is monitored through the establishment of a budget (modified accrual basis) and a financial control system, which permits a budget to actual expenditure comparison. Expenditures may not legally exceed appropriations for each budget at the program appropriation unit level. Budgeted appropriation unit amounts may be amended upon approval from the Budget Division of the State of New Mexico Department of Finance and Administration within the limitation as specified in the General Appropriation Act. The budget amounts shown in the financial statements are the final authorized amounts as legally revised during the year.

The budget is adopted on a modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by the statutory deadline (Section 6-10-4 NMSA 1978) that must be paid out of next year’s budget. A reconciliation of budgetary basis of GAAP basis will be necessary if any accounts payable at the end of the fiscal year are not paid by the statutory deadline. The Department has not included such

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

reconciliation for FY22 as all payables were paid by the statutory deadline. Each year the Legislature approves multiple year appropriations, which the State considers as continuing appropriations. The Legislature authorizes these appropriations for two to five years; however, it does not identify the authorized amount by fiscal year. Consequently, the appropriation is budgeted in its entirety the first year the Legislature authorizes it. The unexpended portion of the budget is carried forward as the next year's beginning budget balance until either the project period has expired or the appropriation has been fully expended. The budget presentations in these financial statements are consistent with this budgeting methodology.

The budgetary basis differs from the basis of accounting required by Generally Accepted Accounting Principles (GAAP). Significant differences between the budgetary basis and GAAP include the following:

- 1 The budget does not consider reversions to the State General Fund.
- 2 The budget includes encumbrances (obligations for unperformed contracts for goods or services). GAAP does not include encumbrances, for multi-year appropriations only.
- 3 The budget statements are presented on modified accrual basis.

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1 No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- 2 Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- 3 The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- 4 Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and account code based upon the appropriation made by the Legislature. The Budget Division of DFA reviews and approves the operating budget, which becomes effective on July 1. All subsequent budget adjustments must be approved by the Director of the DFA-State Budget Division and LFC.
- 5 Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue Funds. Fiduciary funds are not budgeted as they have no expenditure activity.

F. ENCUMBRANCES

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. All current year encumbrances lapsed at year-end. In cases where the appropriations do not lapse at year-end, the encumbrances outstanding are re-encumbered for the same amount outstanding at year-end and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. The Department does have an appropriation, which is multiple year and does not lapse at year-end.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ASSETS, LIABILITIES, AND FUND BALANCE

1 CASH AND CASH EQUIVALENTS: The Department’s interest in the pooled cash on deposit with the State Treasurer’s Office (STO) and Ancillary Receivership Accounts on deposit with area banks is considered cash and cash equivalents. The Ancillary Receivership Accounts represent funds held in trust for the payment of claims for insurance companies, which are in receivership.

2 INVESTMENTS: Investments in the private-purpose trust fund, Patient’s Compensation Fund (SHARE Fund 11850), are held with the State Investment Council. The Investment Council operates in accordance with appropriate State law and regulations. Interest on investments is recorded as revenue in the year the interest is earned.

3 INTER-FUND RECEIVABLES AND PAYABLES: Short-term amounts owed between funds are classified as “Due to/from Other Funds”.

4 PREPAID ITEMS: These amounts represent prepayment of postage, which has benefit to OSI beyond the fiscal year ending June 30, 2022. Prepaid items are expensed when consumed under the consumption method. Therefore, these items are allocated to the fiscal year in which they are used. A portion reported in non-spendable fund balance represents a prepaid item.

5 CAPITAL ASSETS: Property, plant and equipment purchased or acquired at a value of \$5,000 or greater are capitalized per Section 12-6-10 NMSA 1978. Assets are carried at historical cost or estimated historical cost. Contributed assets are recorded at the fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Additionally, effective July 1, 2021, as required by GASB 87, *Leases*, all right to use leased assets have been capitalized. Right to use leased assets are included with capital assets.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives with no salvage value. The Department utilized American Appraisal to determine the useful lives based on generally accepted useful lives for the different classes and types of assets.

Machinery and Equipment	Computer Equipment (including software)	Furniture, Fixtures, and Accessories	Automotive
12 years	3 to 10 years	6 to 20 years	8 years

The Department utilizes a building that is owned by the Facilities Management Division of the State of New Mexico General Services Department. These assets and the related depreciation expense are not included in the accompanying financial statements. GASB Statement No. 34 requires the recording and depreciation of infrastructure assets. Infrastructure assets include roads, bridges, traffic signals, etc. The Department does not own any infrastructure assets.

6 RIGHT TO USE LEASED ASSETS: The Department has recorded right to use leased assets as a result of implementing GASB 87, *Leases*. The right to use leased assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use leased assets are amortized on a straight-line basis over the life of the related lease. Right to use leased assets are included in capital assets.

7 COMPENSATED ABSENCES: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of 30 working days (240 hours) of accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated annual leave as of the date of termination, up to a maximum of 240 hours.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Pursuant to the provisions of Subsection I of 1.7.7.10 NMAC and § 10-7-10 NMSA, once per fiscal year in either January or July, employees may elect to be paid for 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). At retirement, employees can receive 50% payment up to 400 hours for the hours over 600 hours of accumulated sick leave. Therefore, only sick leave which has been accrued represents the hours earned at June 30, 2022, over 600 hours. Expenditures for accumulated sick pay for hours under 600 hours will be recognized as employees take such absences.

Compensatory time may be granted to individuals when overtime is needed.

The non-current portion (the amount estimated to be used in subsequent fiscal years) for Governmental Funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

8 DEFERRED INFLOWS/UNEARNED REVENUES (Balance Sheet): The unearned revenues of \$1,096,937 are Title Insurance Maintenance Fund Assessments for FY22 that were received by OSI prior to July 1, 2022.

9 DEFERRED INFLOWS/OUTFLOWS (Net Position): In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption net position that applies to a future period(s) and so will not be recognized as an outflows of resources (expense/expenditures) until then. It has a positive effect on net position, similar to assets. The Department did not have any items that qualified for reporting in this category as of June 30, 2022.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption net position that applies to a future period(s) and so will not be recognized as an inflows of resources (revenue) until then. It has a negative effect on net position, similar to liabilities. The Department did not have any items that qualified for reporting in this category as of June 30, 2022.

10 RESERVATIONS OF FUND BALANCE: The Department complies with GASB No. 54 —Fund Balance Reporting and Governmental Fund Type Definitions. The pronouncement provides modifications to, and additional types of, fund balance classifications. This statement will enhance the usefulness of fund balance information to provide more consistency among the classifications and will establish reporting standards for all governments that report governmental funds. The definition of each classification is summarized below:

NON-SPENDABLE FUND BALANCE:	The non-spendable fund balance classification is the portion of fund balance that includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.
------------------------------------	---

RESTRICTED FUND BALANCE:	The restricted fund balance classification is the portion of fund balance that reflects constraints placed on the use of resources (other than non-spendable items) that are either: (a) externally imposed by creditors (such as through debt
---------------------------------	--

covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

COMMITTED FUND BALANCE: The committed fund balance classification is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

ASSIGNED FUND BALANCE: The assigned fund balance classification is the portion of fund balance that are constrained by the government's *intent* to be used for specific purposes, but that are neither restricted nor committed.

UNASSIGNED FUND BALANCE: The unassigned fund balance classification is the portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

H. NET POSITION

The Government-wide Fund Financial Statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

NET INVESTMENT IN CAPITAL ASSETS: Is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The total net investment in capital assets is \$409,332.

RESTRICTED NET POSITION: Are liquid assets (generated from revenues and not bond proceeds), which have third-party constraints placed on their use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation limiting their use. OSI complies with GASB No. 46 "Net Assets Restricted by Enabling Legislation". The amount of net position restricted by enabling legislation is \$45,451,951.

UNRESTRICTED NET POSITION (DEFICIT): Represent all other unrestricted liquid assets that do not meet the definition of "restricted net position" or "net invested in capital assets". Unrestricted deficit results mainly from the recording of the compensation absences liability and litigation liability for which future appropriations will pay the liability. The amount of unrestricted net position is \$0.

Fair Value Measurement. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that OSI has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while OSI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

All Investments carried at fair value in the Patient Compensation Fund (Fund 11850) and the Policy Holders and Creditors Fund (Fund 11870) meet the criteria of a Level 1 investment.

I. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Actual results could differ from those estimates and those differences could be material.

NOTE 3. CASH AND INVESTMENTS

At June 30, 2022, the Department had a **\$116,186,455** interest in the **State General Fund Investment Pool**.

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office (STO). At June 30, 2022, the Department had a \$116,486,455 interest in the State General Fund Investment Pool. OSI believes the cash invested in the State General Fund Investment Pool is represented fairly and with no material misstatements due to the reconciliation done by OSI. The

Department has established internal processes applying the State of New Mexico Manual of Model Accounting Practices (MAP). These processes are designated to implement necessary and mandatory controls to avert accounting errors and violations of state and federal laws and rules related to financial matters. In addition, the Department ensures that any disbursement of funds does not exceed the unencumbered funds at its disposal. Incorporating the State's financial software system (SHARE) and monthly internal reporting and reconciliation throughout the fiscal year, OSI maintains optimum fiscal safeguards. This ensures that the cash balances in SHARE are correct to the extent that OSI has control (i.e., collection, depositing, reconciling, and documentation of outstanding items) of the cash, its receipts and transfers to the state general fund and other state agencies pursuant to state statute. Any discrepancies are researched immediately. Expenditure support is retained with all transactions. Due to these controls, the Department believes the value of its share of the SGFIP at June 30, 2022 materially approximates \$116,186,455, including fiduciary funds.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

The following is a summary of the Department's interest in the State Treasurer General Fund Investment Pool:

<u>Name of Depository</u>	<u>Account Name</u>	<u>SHARE System Fund No.</u>	<u>Maturities</u>	<u>Type of Deposit</u>	<u>Interest Bearing</u>	<u>Bank/DFA Statement Balance at 6/30/2022</u>
General Fund						
NM State Treasurer	Insurance Operating Fund	11690	<180 days	State Treasury	No	<u>\$ 2,497,986</u>
Special Revenue Funds						
NM State Treasurer	Insurance Operations Fund	11810	<180 days	State Treasury	No	-
NM State Treasurer	Insurance Suspense Fund	11820	<180 days	State Treasury	No	1,800
NM State Treasurer	Insurance Licensee Cont Educ	11830	<180 days	State Treasury	No	918,826
NM State Treasurer	Insurance Examination Fund	11840	<180 days	State Treasury	No	1,387
NM State Treasurer	Title Ins Maintenance Fund	11860	<180 days	State Treasury	No	2,487,921
NM State Treasurer	Insurance Fraud Fund	11880	<180 days	State Treasury	No	1,748,266
NM State Treasurer	Health Care Affordability Fund	11880	<180 days	State Treasury	No	<u>(2,039,399)</u>
Total Special Revenue Funds						<u>3,118,801</u>
Fiduciary Funds						
NM State Treasurer	Patient's Compensation Fund	11850	<180 days	State Treasury	Yes	<u>110,569,668</u>
Department Total						<u>\$ 116,186,455</u>
Reconciliation Between SGFIP and Financial Statements						
Amounts held in the SGFIP at June 30, 2022				\$ 126,684,866		
Reconciling Items - Timing Differences				-		
Reversions to the State General Fund - Note 9				<u>(10,498,411)</u>		
				<u>\$ 116,186,455</u>		

Interest Rate Risk: The Department does not have an investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The New Mexico State Treasurer's Office does have an investment policy that limits investments maturities to five years and less on allowable investments. This policy is means of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit Risk: The New Mexico State Treasurer's Office pool is not rated.

For additional GASB No. 40 disclosure regarding cash held by the New Mexico State Treasurer's Office, the reader should refer to separate audited financial statements prepared by the New Mexico Treasurer's Office for the fiscal year ended June 30, 2022 which discloses the categories of risk involved.

Cash in Banks – Ancillary Receivership. The following is a listing of the Department's Ancillary Receivership cash balances on deposit at a local financial institution. The amounts are reported in the SHARE Fund 11870 trust fund. These balances are grouped by depository financial institutions as of June 30, 2022.

Century Bank of Santa Fe – Demand Deposit Accounts	\$3,382,336
---	--------------------

This amount is listed on the Fiduciary Statement of Net Position Held in Trust for Policy Holders and Creditors. There were no reconciling items for these bank accounts. Refer to Note 18 for further information related to the trust fund.

NOTE 3. CASH AND INVESTMENTS (CONTINUED)

OSI has entered into a custodial agreement with the above financial institution and the New Mexico State Treasurer. According to this agreement, the State Treasurer is responsible for approving all changes in the pledged collateral, monitoring the collateral requirements, and ensuring that all collateral meets the requirements of state law. As of June 30, 2022, the State Treasurer reported that the cash account was adequately collateralized in accordance with state statutes. Please refer to the separately issued financial statements of the State Treasurer's Office for additional information.

FIDUCIARY FUND INVESTMENTS

Pooled Investments: For the private-purpose trust fund PCF (SHARE Fund 11850), OSI has entered into an agreement with the State Investment Council pursuant to Section 6-8-1.G, NMSA 1978, to participate in the investment pool. The Pool is not registered with the SEC and is managed by the State Investment Council. The investments are valued at fair market value based on quoted market prices at the valuation date. The reported value of the pooled shares is the same as the fair value of the pooled shares.

The value of the investments maintained in the State Investment Council's External Pooled Investment Funds is as follows at June 30, 2022:

	<u>Market Value</u>
Core Bond Fund	\$ 27,195,240
Large Cap Index	6,739,036
Non US Developed Index	2,067,798
Non US Emerging Markets	1,529,766
Mid/Small Cap	<u>2,148,649</u>
Total	<u>\$ 39,680,489</u>

For the private-purpose trust fund for Policy Holders and Creditors (11870), investments are held at a financial institution (custodian) as follows:

	<u>Market Value</u>
US Government Obligations	\$ 446,028,739
Other Governmental Bonds	75,832,430
Corporate Investments	8,774,870
Other Investments	<u>9,301,000</u>
Total	<u>\$ 539,937,039</u>

Concentration of Credit Risk: OSI places no limit on the amount the OSI may invest in any one issuer. Please see the financial statements of the State Investment Council for a further discussion of the risks of the pooled investments. Their audit report may be obtained by contacting the State Investment Council at 41 Plaza La Prens #A, Santa Fe, New Mexico 87507.

NOTE 4. DUE FROM AND DUE TO OTHER FUNDS

Due from and due to other funds represent inter-fund receivables and payables arising from interdepartmental transfers primarily due to statutory requirements for transferring funds collected by one fund and expended by another. There were no inter-fund receivables and payables in FY22. These are routine transactions that occur monthly or annually. These amounts are eliminated on the government-wide financial statements. Fiduciary funds are excluded from governmental funds and governmental-wide financial statements. All inter-fund balances are expected to be repaid in the next fiscal year.

NOTE 5. CAPITAL ASSETS

The changes in capital assets for the fiscal year are as follows:

	Beginning Balance 6/30/2021	Additions	Deletions	Ending Balance 6/30/2022
Governmental-Type Activities				
Computer equipment	\$ 946,455	\$ 11,711	\$ (82,393)	\$ 875,773
Furniture and fixtures	6,793	-	-	6,793
Automotive	536,506	-	-	536,506
Right to use leased buildings	-	818,285	-	818,285
Total capital assets at historical cost	1,489,754	829,996	(82,393)	2,237,357
Computer equipment	652,374	58,324	(82,393)	628,305
Furniture and fixtures	6,397	340	-	6,737
Automotive	256,852	113,935	-	370,787
Right to use leased buildings	-	204,571	-	204,571
Total accumulated depreciation	915,623	377,170	(82,393)	1,210,400
Governmental activities capital assets, net	\$ 574,131	\$ 452,826	\$ -	\$ 1,026,957

All capital assets listed above are being depreciated. OSI does not have any capital assets that are not being depreciated, such as land.

Depreciation and amortization expense for the current year is \$377,170 for the governmental activities.

Right to Use Leased Assets. The Department has recorded two right to use leased assets. The assets are right to use leased assets for leased buildings. The right to use leased assets are amortized on a straight-line basis over the terms of the related leases. The related leases are discussed in the Lease liability footnote (Note 11).

NOTE 6. PATIENT'S COMPENSATION FUND CLAIMS

The New Mexico Patient's Compensation Fund (PCF) serves a vital role in supporting the overall health of the medical professional liability insurance (MPLI) system in New Mexico. The PCF provides excess coverage that stabilizes the operating results of participating insurers and encourages competition which leads to greater availability and affordability of coverage. In New Mexico and other states, a competitive MPLI market tends to attract new physicians leading to greater access to care. The coverage provided by the PCF requires the use of an occurrence coverage form, preferred by health care providers, with limits that provide comprehensive coverage to ensure that injured patients receive appropriate compensation for their injuries. As a result, all stakeholders in the New Mexico health care system benefit in some way from a healthy PCF.

NMSA 1978 41-5-25(H) requires an independent actuarial study of the PCF not less than once every two years. The review examines several aspects of the PCF including analyses of indicated reserves for unpaid losses, appropriate assessment surcharges for upcoming policy periods, the impact of potential legislative changes, and an examination of the competitive landscape for MPLI in New Mexico and surrounding areas. PCF began conducting actuarial studies annually beginning in FY18.

NOTE 6. PATIENT'S COMPENSATION FUND CLAIMS (CONTINUED)

The actuarial analysis was conducted by a third party on the Patient's Compensation Fund during FY22. The results of this study are listed on the PCF's Statement of Net Position for Patient's Compensation Fund claims as long-term claims payable. Per the independent actuarial analysis, estimated discounted claims existing at December 31, 2021 total \$193,989,169. Management believes this is a reasonable estimate of discounted claims at June 30, 2022. This report may be obtained by writing to State of New Mexico Office of Superintendent of Insurance, PO Box 1689, Santa Fe, NM 87504-1689. It should be noted there are significant actuarial assumptions used in estimating potential liabilities, including the rate of return on investment and the number and cost of claims, among others. The differences in any of the assumptions and actual results may significantly change the potential liabilities. All claim liabilities are paid out of the Patient's Compensation Fund. The next statutorily required actuarial analysis of the PCF will occur in FY23.

NOTE 7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2022 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within one year
Compensated absences					
Annual leave	\$ 401,828	\$ 194,626	\$ (140,374)	\$ 456,080	456,080
Compensatory leave	37,725	17,468	(35,311)	19,882	19,882
Sick leave	4,075	4,187	(6,454)	1,808	1,808
Subtotal	443,628	216,281	(182,139)	477,770	477,770
Lease liability	-	818,285	(200,660)	617,625	199,958
Total	\$ 443,628	\$ 1,034,566	\$ (382,799)	\$ 1,095,395	\$ 677,728

NOTE 8. DUE FROM OTHER STATE AGENCIES

At June 30, 2022, the New Mexico Department of Taxation and Revenue (Agency 33300, Fund 83800) owed Fund 21890 (Health Care Affordability Fund) \$41,772,376 for insurance premium taxes.

NOTE 9. REVERSIONS

Unexpended and unencumbered cash balances of certain funds revert to the State General Fund at year-end. For certain funds, cash recoveries during the fiscal year from stale dated warrants and prior year reimbursements are also due to the State General Fund. Amounts due to the State General Fund for the year ending June 30, 2022 were paid in September 2022.

Current year reversions as of June 30, 2022:

	SHARE Fund 11690	SHARE Fund 11810	Total
General Fund			
FY21 Reversions	\$ 74,483	\$ -	\$ 74,483
FY22 Reversions	309,630	10,114,298	10,423,928
Total Reversions to the State General Fund	\$ 384,113	\$ 10,114,298	\$ 10,498,411

NOTE 10. TRANSFERS

Inter-agency and interfund transfers as of June 30, 2022 were as follows:

During the fiscal year, the Department transferred funds that were recorded as "Other Financing Sources (Uses)". The purpose of the transfers from the special revenue funds to the general fund were to comply with the allocated operating budget.

A – INTRA-AGENCY TRANSFERS:

Fund		Transfers	
		In	Out
11690	General Operating Fund	\$ 8,913,500	\$ -
11810	Insurance Operations Fund	-	7,230,200
11850	Patient's Compensation Fund	-	816,500
11860	Title Insurance Maintenance Fund	-	205,600
11880	Insurance Fraud Fund	-	411,200
21890	Health Care Affordability Fund	-	250,000
Grand Total		\$ 8,913,500	\$ 8,913,500

B – INTER-AGENCY TRANSFERS:

Office of Superintendent of Insurance's Fund and Purpose			Transfers	
			In	Out
New Mexico Human Services Department (Agency 63000)				
Fund	21890	Healthcare Affordability - Fund costs in Medicaid	\$ -	\$ 13,379,000
Fund	21890	Healthcare Affordability - Fund costs in Hospitals and Nursing Homes	-	10,000,000
New Mexico General Services Department (Agency 35000)				
Fund	21890	Healthcare Affordability - Fund costs in Medicaid	-	10,000,000
Total transfers in and out			\$ -	\$ 33,379,000
New Mexico Department of Finance and Administration (Agency 85300)				
Fund	11690	State General Fund Appropriations	\$ 1,114,000	\$ -
Fund	11850	State General Fund Appropriations	30,000,000	-
Total Appropriations from the State General Fund			\$31,114,000	\$ -

NOTE 11. LEASE LIABILITY

OSI has entered into long-term agreement to lease office space. The lease agreement has been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021.

OSI has also recorded intangible right-to-use lease assets as a result of implementing GASB 87. The lease assets are initially measured at an amount equal to the initial measurement of the related lease liability.

NOTE 11. LEASE LIABILITY (CONTINUED)

The present value of the future minimum lease obligations for the right-to-use leased asset as of June 30, 2022, were as follows:

Year ended June 30,	Total Debt		
	Principal	Interest	Service
2023	\$ 199,958	\$ 54	\$ 200,012
2024	200,318	55	200,373
2025	200,661	56	200,717
2026	16,688	-	16,688
Total	\$ 617,625	\$ 165	\$ 617,790

NOTE 12. RETIREMENT PLANS (STATE PERA)

Pursuant to the requirements of Government Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico (the State) has implemented the standard for the fiscal year ending June 30, 2022.

The Office of Superintendent of Insurance, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer-defined benefit pension plan administered by the Public Employees Retirement Association (PERA). Overall, total pension liability exceeds Plan net position resulting in a Net pension liability. The State has determined the State's share of the net pension liability to be a liability of the State as a whole, rather than any agency or department of the State and will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

Information concerning the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources of the primary government will be contained in the ACFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

Plan Description: Substantially all the Office's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employee's Retirement Association (PERA) is the administrator of the plan. The plan provides for retirement benefits, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87504-2123. That report is also available on PERA's website at www.nmpera.org.

Funding Policy: Plan members with an annual salary of less than \$20,000 are required to contribute 7.42% of their gross salary and members with an annual salary greater than \$20,000 are required to contribute 8.92% of their gross salary. The Office is required to contribute 17.24% of the gross covered salary. The contribution requirements of the plan members and the Office are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by act of the Legislature.

NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE

Pursuant to the requirements of Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, the State of New Mexico has implemented this standard for the fiscal year ended June 30, 2022.

NOTE 13. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE (CONTINUED)

The Department, as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple-employer defined benefit post-employment health care plan that provides comprehensive group health insurance for persons who have retired from certain public service positions in New Mexico. The other post-employment benefits (OPEB) Plan is administered by the Retiree Health Care Authority of the State of New Mexico. Overall, total OPEB liability exceeds OPEB Plan net position resulting in a net OPEB liability. The State has determined the State's share of the net OPEB liability to be a liability of the State as a whole, rather than any agency or department of the State and the liability will not be reported in the department or agency level financial statements of the State. All required disclosures will be presented in the Annual Comprehensive Financial Report (ACFR) of the State of New Mexico.

Information concerning the net liability, benefit expense, and benefit-related deferred inflows and deferred outflows of resources of the primary government will be contained in the State of New Mexico Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2022 and will be available, when issued, from the Office of the State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico 87501.

NOTE 14. FUND BALANCE

Government Fund Balances - Restricted and Committed

OSI's fund balances represent: (1) *Restricted Fund Balance*, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other government or imposed by law through constitutional provisions or enabling legislation; (2) *Committed Fund Balance*, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches; (3) *Non-Spendable Fund Balance*, which includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact; (4) *Unassigned Fund Balance*, which includes a portion of fund balance that is residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amount in any of the unrestricted fund balance classification could be used.

The following is a summary of the Restricted Fund Balance amounts by fund type at June 30, 2022:

Governmental Funds	
Major Governmental Funds	
General Operating Fund (11690)	\$ 2,056,904
Insurance Operations Fund (11810)	-
Insurance Fraud Fund (11880)	1,847,634
Health Care Affordability Fund (21890)	39,732,977
Non-Major Governmental Funds	
Insurance Suspense Fund (11820)	-
Insurance Licensee Cont. Ed. Fund (11830)	916,543
Insurance Examination Fund (11840)	1,387
Title Insurance Maintenance Fund (11860)	1,374,276
Total	\$ 45,929,721

OSI has a portion of fund balance of the general operating fund in the amount of \$28,795 that is non-spendable. This amount consists of prepaid expenses.

NOTE 15. INTEREST IN STATE GENERAL FUND INVESTMENT POOL RECONCILIATION

Compliant with statute 6-10-3 (NMSA 1978), and to optimize state cash management and investment practices, funds of various state agencies are deposited in the State General Fund Investment Pool (SGFIP). This pool is managed by the New Mexico State Treasurer's office (STO). Claims on the SGFIP are reported as financial assets by the various investing in the SGFIP.

As previously communicated, the Financial Control Division (FCD) in collaboration with the State Treasurer's Office, implemented a comprehensive reconciliation model that compared aggregated agency claims on the State General Fund Investment Pool and to the associated resources held by the State Treasurer's Office. This process now has been reviewed by the IPAs performing audits of the General Fund, the Department of Finance and Administration, and the State of New Mexico's Annual Comprehensive Financial Report since fiscal year 2015. Each review of the process deemed it to be adequate and the findings related to Cash Reconciliation were significantly reduced or eliminated. For FY22, the following assertions are provided:

- 1 The calculated difference between resources maintained by STO and the agency claims has remained stable and within a narrow and acceptable range <\$200k standard deviation over the last 12 months.
- 2 As of June 30, 2022, resources are sufficient to cover claims and there is no need to adjust any specific business unit claim on the SGFIP.
- 3 All claims as recorded in SHARE shall be honored at face value.

NOTE 16. ACCOUNTING PRONOUNCEMENTS WITH FUTURE EFFECTIVE DATES

The following accounting standards issued under the Governmental Accounting Standards Board (GASB) with future effective dates are as follows:

GASB Statement No. 91, *Conduit Debt Obligations* was issued. On May 6, 2020, the GASB postponed the required implementation. Revised Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective Date: For reporting periods beginning after June 15, 2022. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangement*. Effective Date: For reporting periods beginning after June 15, 2022. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 98, *The Annual Comprehensive Financial Report*. Effective Date: For reporting periods beginning after December 15, 2021. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 99, *Omnibus 2022*. Effective Date: For reporting periods beginning after June 15, 2022. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB No. 62*. Effective Date: For reporting periods beginning after June 15, 2023. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

GASB Statement No. 101, *Compensated Absences*. Effective Date: For reporting periods beginning after December 15, 2023. Earlier application is encouraged. OSI is still evaluating how this pronouncement will affect future financial statements.

NOTE 17. RISK MANAGEMENT, LITIGATION AND CONTINGENT LIABILITIES

OSI is exposed to various risks of losses related to torts; theft of, and damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Section 15-7-2 NMSA 1978 requires the General Services Department, Risk Management Division (RMD) to be responsible for the acquisition and administration of all insurance purchased by the state. Since 1977, various state statutes have been created which allow RMD to insure, self-insure, or use a combination of both. Any claims are processed through RMD.

OSI is party to various claims and lawsuits arising in the normal course of business for the Patient's Compensation Fund (PCF) and Ancillary Receiverships. The PCF financial statements include an actuarial estimate of claims existing at December 31, 2021. The FY22 financial statements reflect the adjusted estimated actuarial claims.

Amounts administered through ancillary receivership are paid from funds in custody of the Superintendent pursuant to the Insurance Code. OSI is a party to the Willis Asset Management Receivership litigation and has entered into a settlement agreement whereby the Willis parties will pay the State/OSI out of the proceeds of the sale of various properties. Those sales are in various stages, with at least one approaching consummation.

However, it is not clear how much will be realized from that sale and OSI is a long way from collecting the final pay out. There will be no liability to OSI from this litigation. This litigation does not affect the FY22 financial statements.

NOTE 18. TRUST FUND FOR THE BENEFIT OF POLICY HOLDERS AND CREDITORS

59A-5-18 NMSA 1978 requires insurance companies transacting business in New Mexico to make deposits held in trust for the benefit of all policy holders and creditors. This deposit is the 'general deposit'. 59A-5-19 NMSA 1978 requires insurance companies transacting business in New Mexico to make deposits held in trust for the benefit only of all the policy holders and creditors in this state. This is the 'special deposit'. These general and special deposits, in addition to cash held for ancillary receiverships, are referred to as the "trust fund". The current custodian of the securities contained in the trust fund and of the ancillary receivership cash accounts is Century Bank of Santa Fe.

Deposits eligible for the trust fund include securities outlined in 59A-10-3 NMSA 1978, with further references to 59A-9-6 and 59A-9-8. The required amounts of the deposits are detailed in 59A-5-16. As long as insurers remain solvent, OSI is acting in a fiduciary capacity. Insurer's rights during solvency are outlined in 59A-10-7 and include the right to all income generated by their deposits. 59A-41-18 NMSA 1978 governs the conduct of delinquency proceedings against insurers and provides for ancillary receivership.



SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2022

	Insurance Suspense Fund 11820	Insurance Licensee Continuing Ed Fund 11830	Insurance Examination Fund 11840	Title Insurance Maintenance Fund 11860	Total Governmental Funds
ASSETS					
Interest in State General Fund Investment Pool	\$ 1,800	\$ 918,826	\$ 1,387	\$ 2,487,921	\$ 3,409,934
Federal grants receivable	-	-	-	-	-
Due from other funds	-	-	-	-	-
Other receivables	473,896	-	-	-	473,896
Allowance for uncollectible receivables	(473,696)	-	-	-	(473,696)
Prepaid expenses	-	-	-	-	-
Total assets	<u>\$ 2,000</u>	<u>\$ 918,826</u>	<u>\$ 1,387</u>	<u>\$ 2,487,921</u>	<u>\$ 3,410,134</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 10,866	\$ 10,866
Payroll benefits and taxes payable	-	616	-	1,593	2,209
Accrued wages payable	-	1,667	-	4,249	5,916
Due to State General Fund	-	-	-	-	-
Due to other state agencies	-	-	-	-	-
Other liabilities and unearned revenues	2,000	-	-	-	2,000
State dated warrants	-	-	-	-	-
Total liabilities	<u>2,000</u>	<u>2,283</u>	<u>-</u>	<u>16,708</u>	<u>20,991</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenues - title insurance fees	-	-	-	1,096,937	1,096,937
FUND BALANCES					
Nonspendable					
Inventory	-	-	-	-	-
Prepaid expenses	-	-	-	-	-
Restricted					
Special purposes	-	916,543	1,387	1,374,276	2,292,206
Total fund balances	<u>-</u>	<u>916,543</u>	<u>1,387</u>	<u>1,374,276</u>	<u>2,292,206</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,000</u>	<u>\$ 918,826</u>	<u>\$ 1,387</u>	<u>\$ 2,487,921</u>	<u>\$ 3,410,134</u>

See Accompanying Notes.

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Insurance Suspense Fund 11820	Insurance Licensee Continuing Ed Fund 11830	Insurance Examination Fund 11840	Title Insurance Maintenance Fund 11860	Total Governmental Funds
REVENUES					
Insurance tax	\$ -	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	-	-	-	-
Special Appropriations	-	-	-	-	-
Miscellaneous	-	-	-	10,000	10,000
Federal revenue	-	-	-	-	-
Other fees	-	237,655	-	1,091,318	1,328,973
Other financing uses	-	-	-	-	-
Total revenues	-	237,655	-	1,101,318	1,338,973
EXPENDITURES					
Current					
Personal services and employee benefits	-	72,518	-	246,781	319,299
Contractual services	-	-	-	195,018	195,018
Other costs	-	-	-	11,134	11,134
Capital outlay	-	-	-	-	-
Total expenditures	-	72,518	-	452,933	525,451
Excess of revenues over expenditures before other financing sources	-	165,137	-	648,385	813,522
Other Financing Sources (Uses)					
Operating Transfers In - Intra-Agency	-	-	-	-	-
Operating Transfers Out - Intra-Agency	-	-	-	(205,600)	(205,600)
Reversions to State General Fund - See Note 9	-	-	-	-	-
Operating Transfers In Inter-Agency	-	-	-	-	-
Operating Transfers Out Inter-Agency	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(205,600)	(205,600)
Net changes in fund balances	-	165,137	-	442,785	607,922
Fund Balances - beginning	-	751,406	1,387	931,491	1,684,284
Fund Balances - ending	\$ -	\$ 916,543	\$ 1,387	\$ 1,374,276	\$ 2,292,206

See Accompanying Notes.



OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF JOINT POWERS AGREEMENT
FOR THE YEAR ENDED JUNE 30, 2022**

Description	Participants	Party Responsible for Operations	Begin-End Dates	Total Estimated Amount of Project
Appoints SIC as the fiduciary authorized to invest the long-term reserves of the OSI and all investment income	OSI NM State Investment Council	NM State Investment Council	5/15/18-5/15/22 5/15/22-05/15/26	\$ -

Portion Applicable to the Agency	Amount Agency Contributed in FY22	Agency Where Revenue/Expense are Reported	Audit Responsibility	Fiscal Agent
\$ -	\$ -	OSI	N/A	N/A

**SCHEDULE OF SPECIAL APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

Appropriation	Fund	Appropriation End Date	Amount Appropriated	Current Year Revenue and Other Financing Sources	Current Year Expenditures and Other Financing Uses	Project to Date Expenditures and Uses	Unexpended Portion
Health Care Affordability - Ins Ops Fund 11690							
Laws of 2021, Chapter 140, Section 4	11690	6/30/2022	\$ 575,000	\$ -	\$ 489,347	\$ 500,147	\$ 74,853 *
HealthCare Affordability Fund to (HSD) fund costs in medicaid							
Laws of 2022, Chapter 54, Section 10 (I)	21890	6/30/2022	13,979,000	13,979,000	13,979,000	13,979,000	-
To replenish Operations							
Laws of 2022, Chapter 54, Section 5 & 6 (I)	11690	6/30/2022	250,000	250,000	250,000	250,000	-
Patient Comp Fund Deficit Reduction Fund							
Laws of 2022, Chapter 54, Section 11	11850	6/30/2022	30,000,000	30,000,000	30,000,000	30,000,000	-
HealthCare Afford Fund to (GSD) fund costs in medicaid							
Laws of 2022, Chapter 54, Section 6 (I)	21890	6/30/2022	10,000,000	10,000,000	10,000,000	10,000,000	-
Behavioral Health Parity Fund							
Laws of 2022, Chapter 54, Section 5 (I)	11690	6/30/2023	300,000	300,000	-	-	300,000
Health Care Affordability Fund							
Premium & Cost Sharing Reductions							
Laws of 2022, Chapter 54, Section 5 (I)	21890	6/30/2023	28,000,000	28,000,000	-	-	28,000,000
Health Care Affordability Fund							
Reduction of Health Insurance Premiums							
Laws of 2022, Chapter 54, Section 5 (I)	21890	6/30/2023	30,000,000	30,000,000	-	-	30,000,000
Conduct Research on insurance affordability							
Ins Ops Fund							
Laws of 2022, 3rd Special Session, Sections 4 & 9	11690	6/30/2023	640,000	640,000	-	-	640,000

SCHEDULE OF SPECIAL APPROPRIATIONS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2022

Appropriation	Fund	Appropriation End Date	Amount Appropriated	Current Year Revenue and Other Financing Sources	Current Year Expenditures and Other Financing Uses	Project to Date Expenditures and Uses	Unexpended Portion
Assess improvements for health benefits Ins Ops Laws of 2022, 3rd Special Session, Sections 4 & 9	11690	6/30/2023	350,000	350,000	-	-	350,000
HealthCare Afford Fund to (HSD) Hospitals & Nursing Homes Laws of 2022, Chapter 54, Section 10 (I)	21890	6/30/2025	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	-
Totals			<u>\$ 124,094,000</u>	<u>\$ 123,519,000</u>	<u>\$ 64,718,347</u>	<u>\$ 64,729,147</u>	<u>\$ 59,364,853</u>

* This amount was reverted in the current year. See Note 9.



COMPLIANCE SECTION



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INDEPENDENT AUDITOR'S REPORT

Mr. Russell Toal

Superintendent of Insurance

Office of Superintendent of Insurance

Santa Fe, New Mexico

and

Mr. Brian Colón, Esq.

New Mexico State Auditor

Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Office of Superintendent of Insurance (OSI), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise OSI's basic financial statements, and have issued our report thereon dated October 28, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of OSI, we considered OSI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OSI's internal control. Accordingly, we do not express an opinion on the effectiveness of OSI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been

identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether OSI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "JAG LLC", with a stylized flourish above the letters.

Jaramillo Accounting Group LLC (JAG)
Albuquerque, New Mexico
October 28, 2022

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

NONE

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2022

SECTION I: SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

1	Type of auditor's report issued	Unmodified
2	Internal Control over Financial Reporting	
	a. Material Weakness Identified?	No
	b. Significant Deficiencies not considered to be material weakness?	No
	c. Non-compliance Material to the financial statements noted?	No

SECTION II: FINANCIAL STATEMENT FINDINGS

NONE



Exit Conference

JUNE 30, 2022

An exit conference was held on October 28, 2022. The following individuals were in attendance:

REPRESENTING THE OFFICE OF THE SUPERINTENDENT OF INSURANCE:

JENNIFER CATECHIS

Deputy Superintendent of Insurance

BERSABE RODRIGUEZ

Chief Financial Officer

REPRESENTING JARAMILLO ACCOUNTING GROUP LLC (JAG):

AUDREY J. JARAMILLO, CPA, CFE, J.M.

Managing Partner

SCOTT ELIASON, CPA

Partner

JAG, the Department's independent public auditor, assisted OSI in the preparation of the accompanying financial statements. The financial statements; however, are the responsibility of OSI's management.



JARAMILLO ACCOUNTING GROUP LLC (JAG)

CERTIFIED PUBLIC ACCOUNTANTS

4700 LINCOLN RD NE ALBUQUERQUE, NM 87109

T: 505.323.2035

www.JAG.CPA

