GENERAL SERVICES DEPARTMENT
RISK MANAGEMENT DIVISION
2017 ANNUAL REPORT

THE HONORABLE SUSANA MARTÍNEZ
GOVERNOR

EDWYNN BURCKLE
CABINET SECRETARY

LARA WHITE DAVIS
DIRECTOR

SUBMITTED TO
THE NEW MEXICO STATE LEGISLATURE
DECEMBER 15, 2017

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To the Members of the New Mexico Legislature:

Fiscal Year 2017 was a year of unprecedented challenges for the Risk Management Division (RMD) and all of the constituent agencies it serves. The State's risk profile did not change, but fiscal challenges caused by reduced State revenues meant that both RMD and all State agencies were called upon to do more with less. RMD continues to work towards identifying and implementing cost-effective cost controls in an effort to make the most of every dollar entrusted to the funds that the Division is statutorily responsible to administer.

The multitude of issues that RMD's staff address on a daily basis deeply impact individual members of the public, public employees, and their families. At the same time, the aggregate impact of individual claims handling has an enormous impact on the State's General Fund. RMD's professional staff is privileged to serve and remains committed to carrying out our obligations by making the very best decisions possible every day at every level for the benefit of the State as a whole.

I respectfully submit this report demonstrating the great things this Division accomplished in the past year.

Sincerely,

Lara White Davis
Director, Risk Management Division

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Executive Summary

The Risk Management Division (RMD) was established to meet a diverse array of critical needs for public entities in the State of New Mexico, s*ee* RMD's organic statute, NMSA 1978, §15-7-1 *et seq*.

RMD is responsible for self-insured administration and the procurement of insurance to protect the public liability fund, s*ee* § 41-4-23, the workers' compensation retention fund, s*ee* § 15-7-6, and the public property reserve fund, s*ee* § 13-5-1. RMD administers the State's group benefits self-insurance plan, providing life, vision, health, dental, and disability coverage for employees of the state and of participating local public bodies, *see* § 10-7B-1 *et seq*. Section 51-1-15 further charges RMD with administering the State Government Unemployment Compensation Reserve fund and the Local Public Body Unemployment Compensation Reserve Fund.

Like all State agencies, the Risk Management Division struggled in FY'17 with challenges associated with reduced State revenues. Challenges in staffing have required that RMD Staff work hard to do more with less. In FY '16 and '17, the legislature swept millions from several of RMD's funds in order to address the General Fund shortfall. Those sweeps have adversely impacted the solvency of the funds, but RMD has continued to work in concert with the Department of Finance and Administration and Legislative Finance Committee to modify risk rates as reduced revenues have adversely impacted the budgets of all State agencies. RMD works very hard to limit the cost of excess insurance so that agency risk rates apply more directly to actual losses instead of funneling public dollars toward premiums paid into the commercial markets.

To cover catastrophic property claims, RMD placed a policy referred to as Excess Blanket Property policy to cover structures around the State valued at $ 8,897,472,151. The policy has a $500,000 Self-Insured Retention which RMD's Public Property Reserve Fund responds to after an agency meets the initial deductible. In FY'18, the premium paid for this commercial coverage was flat at $2,838,000,[1] and was allocated among State agencies based on the appraised value of the agencies' respective real property holdings. In the past six years, the excess property claims ratio is 69%. Global natural disasters and catastrophes over the past several months (hurricanes and fire losses) are expected to cause insurance markets to "harden," thereby increasing premium costs. As such, it is expected that RMD's best option for excess property insurance will again be at the "locked" rate secured three years ago.

RMD also secured commercial excess insurance for Boiler and Equipment Breakdowns. The coverage has a $250,000 self-insured retention and covers assets of $8,688,698,900 across the

[1] RMD secured 25% rate reduction in FY'17 with 3 year lock –options for FY'18 were reviewed and the locked rate was the most favorable

State. The premium paid into the commercial market for this coverage in FY'18 is $156,563.00. The renewal quote for the equipment breakdown coverage is down approximately 2%. This includes a 5% rate decrease with a 3% total insured value. Due to losses, we were not able to obtain competitive quotes with the next closest quote considerably higher.

In light of recurring losses caused by aging infrastructure, the FY18 Certificate of Coverage was expanded to include mitigation activities that would control the current loss with the added benefit of possibly preventing future losses. In the past, the coverage would respond to the resulting damages but would exclude any mitigation activity on maintenance related items, typically a leaking roof, windows, drain blockage, fire detection, alarms, etc.

The following language is now included within the Certificate of Coverage:

> In the event of physical damage of covered property as a result of the lack of maintenance, this certificate is extended to mitigate those items shown to have caused the ensuing loss to the structure owned by the Government Entity. This coverage shall only apply when conditions necessitate the immediate repair to roofs, windows, etc. to prevent future losses. Mitigation expenses covered by this extension will be subject to a $20,000.00 annual aggregate limit.

Historically, this coverage applied to this sampling of claims directly related to aging buildings and the increased costs related to maintenance activities.

FY14 Flood Loss $1,260,531.11 (Roofs/Drains)

FY15 Water Loss $4000.00 (Water Line)

FY16 Freeze Loss $7000.00 (Freeze Alarm)

FY17 Water Loss $2000.00 (Gutters)

FY17 Water Loss $7000.00 (Gutters)

The associated cost related to this extension of coverage is minimal and may directly reduce the overall cost of property losses triggered by the high maintenance requirements of our aging buildings.

Separate units within RMD, known as Bureaus, carry out the division's different functions. To see RMD's current organizational chart please view Appendix 1 attached to this report. The following narratives describe the operations of each individual RMD Bureau.

Alternative Dispute Resolution Bureau

Established in 2007 by the New Mexico Governmental Dispute Prevention and Resolution Act (NMSA 1978, § 12-8A-1 *et seq.)*, the Alternative Dispute Resolution (ADR) program helps state agencies constructively resolve workplace issues, reducing costs and avoiding complicated legal proceedings. ADR is a voluntary process that employs mediation, facilitation, arbitration, and a broad range of other problem solving techniques to prevent conflict and settle issues.

The ADR Bureau offers a wide variety of services that help agencies fulfill their statutory obligation to offer ADR. Agencies can call on the ADR Bureau to identify ADR resources, develop administrative procedures, create standard forms, and coordinate free mediation services. The ADR Bureau also tracks program services, agency-reported ADR activity, and the state's participation U.S. Equal Employment Opportunity Commission (EEOC) mediation. In Fiscal Year 2017, the ADR Bureau conducted 37 training and outreach events, reaching almost 600 people, and trained 39 ADR Coordinators (with 10 from among the top-25 loss-producing agencies). By focusing on those agencies with histories of high loss in employment-related civil rights claims, the ADR Bureau helps agencies proactively reduce losses and build a foundation for future success.

Training, certification, and outreach are large parts of the ADR Bureau's mission. Most of the mediators in the ADR program are trained state employees who serve as neutral mediators in disputes involving unrelated agencies. Each year, the ADR Bureau offers formal, 40-hour, mediator certification courses to ensure the state has a ready supply of knowledgeable and skilled professionals. In Fiscal Year 2017, the ADR Bureau conducted mediator certification courses in Albuquerque and Santa Fe and certified 31 new mediators. The ADR Bureau's principal outreach event is its statewide ADR Symposium, a no-cost annual training event for mediators, legal professionals, agency executives, ADR Coordinators and other participants from around the state. The 2-day event provides continuing education, numerous resources, and valuable opportunities for attendees to network with each other and experienced practitioners.

Each year, as required by Statute, the ADR Bureau reports on the use, costs, and successes of the state's ADR programs. A full report of statewide ADR activity necessarily relies on agency-reported data, which the ADR Bureau collects quarterly. The following graphs illustrate the number and diversity of ADR events and activities that occurred throughout state government in Fiscal Year 2017.

Chart 1: Number of Agencies Reporting ADR Activity by Agency Type/Branch

Chart 2: Reportable Activity by Type From Fiscal Year 2013-Fiscal Year 2017

Loss Prevention and Control Bureau

The Loss Prevention and Control Bureau (LPCB) fulfills Risk Management's insured entities statutory obligation to comply with NMSA §§ 9-17-5(E), 15-7-3(A)(9), NMAC 1.6.2 and NMAC 1.6.4, the State Loss Prevention and Control Rule.

The LPCB collaborates with covered entities to protect taxpayer dollars, and far more importantly, safeguard the health and wellbeing of New Mexico citizens by implementing practices that reduce preventable losses within state government.

Recognizing that strategic risks and operational risks are inherent in any business process, the LPCB works with agencies to integrate risk management activities into daily operations. Employing a systematic risk assessment and mitigation framework, statistical data analysis, and internal subject matter experts, the LPCB helps covered entities identify potential exposures, mitigate known risks, and align risk management with agency goals. This holistic approach to risk management allows organizations the freedom and flexibility to apply industry best practices in unique operational environments and, ultimately, succeed in providing outstanding service.

The LPCB specializes in the following:

- Promoting a risk management culture to reduce liability exposure, safeguard state assets, and reduce costs associated with state liability and property losses;
- Establishing safety and loss control systems and programs customized for each entity's operational risks;
- Developing Environment, Health & Safety (EH&S) programs to provide top management support and commitment to safety and loss control;
- Maintaining centralized loss history information to identify and analyze confidential metrics regarding entity risk exposures and loss experience;
- Providing insurance coverage programs, system wide multi-line insurance programs to protect the SONM's human, physical, and financial assets; and
- Implementing the Unemployment Program to provide strategies for managing hearings, claims, and costs.

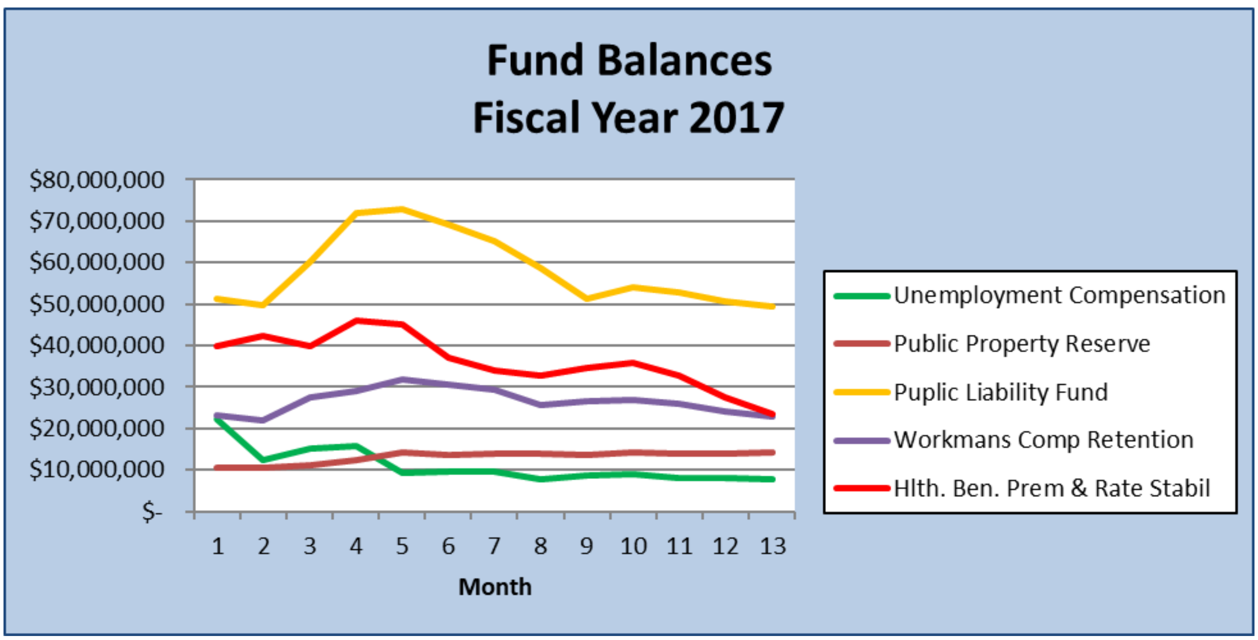
PARTNERS IN PREVENTION

Finance Bureau

The Finance Bureau supports all of RMD by centralizing the Division's financial functions, providing accountability, and ensuring timely processing of financial transactions. Comprised of a Finance Bureau Chief and six staff members, the Bureau manages budget preparation, financial reporting, encumbrances, accounts receivable, accounts payable, and contract administration. The Finance Bureau went live with the DFA Cash Remediation initiative on March 23, 2017. This was a major accomplishment for RMD Finance. Changes to the reporting component resulted in some reconciling issues but the Bureau completed the external audit on time.

The Finance Bureau serves one of RMD's key functions – Administering and tracking nine risk funds. Fund solvency has been an ongoing concern and continues to be after approximately $30.9 million in sweeps from the Public Liability, Public Property, State Unemployment and Worker's Compensation funds.

The graph below shows cash balance activity for five funds during Fiscal Year 2017. For more information on fund balances, please see Appendix 2 – Appendix 4.



Employee Benefits Bureau

Under the Group Benefits Act, RMD is responsible for administering the self-insured group benefits plan offered to state employees and participating local public bodies, s*ee* NMSA 1978, § 10-7B-6. RMD's Employee Benefits Bureau (EBB) coordinates and oversees the state's benefits plan.

With approximately 60,000 members enrolled statewide, the State of New Mexico's plan is one of the largest self-insured plans in the state. The group benefits plan offers medical, dental, vision, life, short and long term disability, Flexible Spending Account Program (FSA), Employee Assistance Program (EAP), and COBRA coverage. The membership of the Plan grew for the 2018 plan year. The addition of Plan members will have a corresponding impact on both plan revenues and costs.

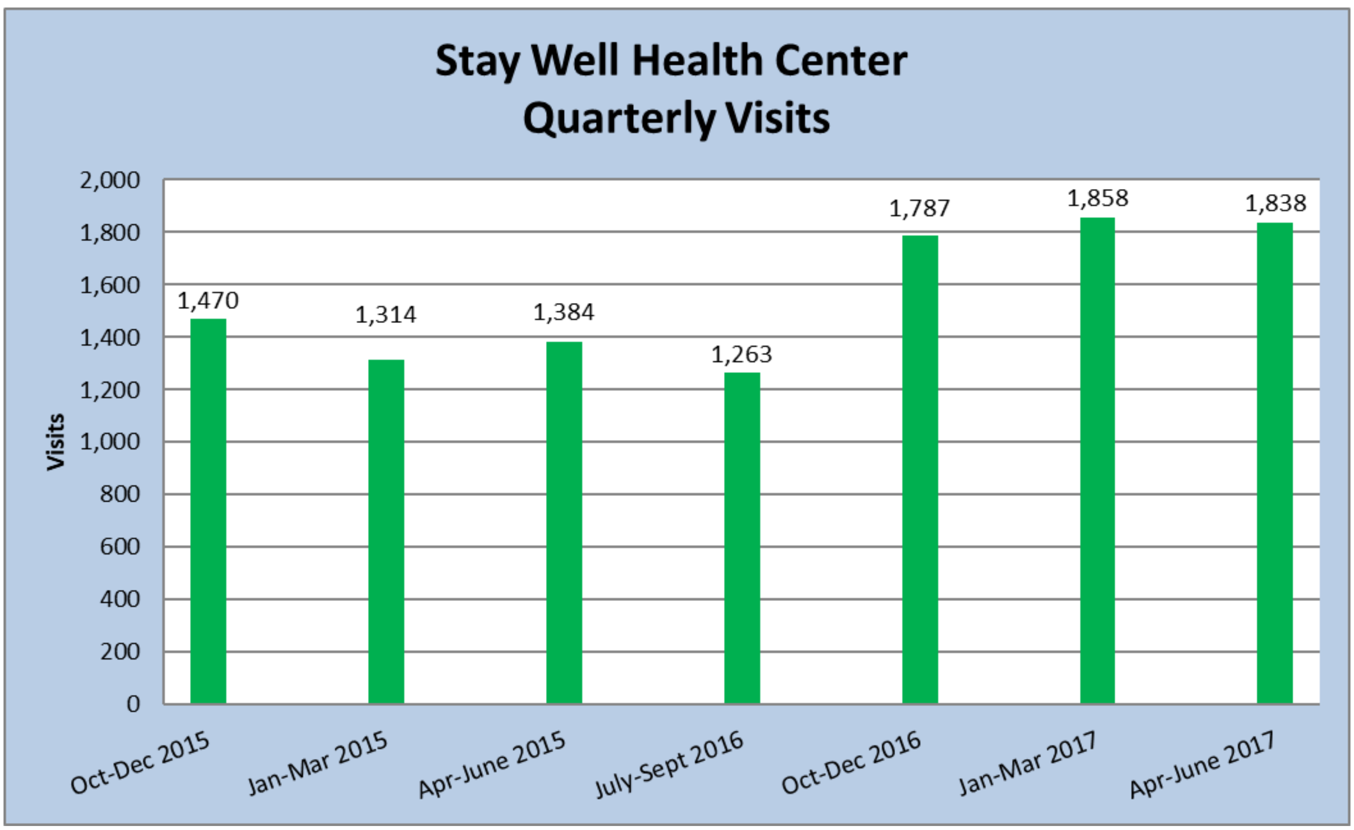
Benefits Category	SFY 2017 (7/1/2016-6/30/2017)	SFY 2018 (7/1/2017-6/30/2018)	SFY 2019 (7/1/2018-6/30/2019)
Assumed Funding Increase	**N/A**	**N/A**	**4.0%**
Medical/Rx			
Claims	307,249,872	320,410,713	341,985,302
Pharmacy Rebates	(8,856,346)	(9,906,415)	(10,885,565)
Fixed Expenses	11,374,792	11,718,213	12,381,456
Total Medical/Rx Projected Costs	***309,768,318***	***322,222,510***	***343,481,193***
Total Medical/Rx Projected Revenue	304,233,842	299,814,941	311,478,939
Total Medical/Rx Projected Gain/Loss	**(5,534,476)**	**(22,407,569)**	**(32,002,254)**
Dental			
Claims	18,641,092	18,971,344	19,804,147
Administrative Services Fees	289,353	288,352	293,809
Total Dental Projected Costs	***18,930,445***	***19,259,696***	***20,097,955***
Total Dental Projected Revenue	18,951,804	18,666,281	19,392,584
Total Dental Projected Gain/Loss	**21,359**	**(593,415)**	**(705,372)**
Vision			
Claims	2,707,135	2,738,246	2,858,450
Administrative Services Fees	117,933	120,493	126,701
Total Vision Projected Costs	***2,825,068***	***2,858,739***	***2,985,151***
Total Vision Projected Revenue	2,860,737	2,800,628	2,908,938
Total Vision Projected Gain/Loss	**35,669**	**(58,112)**	**(76,213)**
Total Medical/Rx, Dental, and Vision Gain/Loss	**(5,477,449)**	**(23,059,095)**	**(32,783,838)**
Projected Fund Balance	**20,000,000**	**(3,059,095)**	**(35,842,933)**
Target Fund Balance			**42,000,000**
Illustrative Balance as a % of Target			**-85%**

The Plan continues to face challenges managing rising costs of medical services and prescription drugs. The EBB is responsible for providing coverage that is compliant with the Affordable Care Act and faces a lot of regulatory uncertainty in the next year given the repeal of the "individual mandate," the portion of the federal tax code which requires individuals to maintain health coverage that meets minimum standards. In addition to the regulatory uncertainty posed by the repeal of the individual mandate, there is a larger concern that as fewer individuals have insurance and an ability to pay for services, providers will increase costs.

Three years ago, the Risk Management Division took a proactive step towards managing costs and improving members' access to care by opening the Stay Well Health Center in the Joseph M. Montoya building in Santa Fe. All Plan members (aged 2 and up) may access the Health Center for primary care services and health coaching. The services are provided via a contractor who bills the Plan a flat, monthly rate for services and a variable costs for consumables such as vaccines, prescriptions and medical supplies. Services are provided to members at $0 copay. Risk Management hopes to be able to roll out additional locations in other areas of the State, but faces challenges in monitoring consistent staffing and cost effective utilization.

STAY WELL
HEALTH CENTER
Serving the State of New Mexico and Participating Local Public Body Employees Covered under the State Employee's Risk Management Medical Plan

The horizontal integration of health plan administration directly engaging service providers is an emerging cost control trend nationally (e.g. United Health's recent announcement of its agreement to buy DaVita, a multi-state medical provider for $4.9 billion). At the moment, it appears that the Risk Management Division is "ahead of the curve."

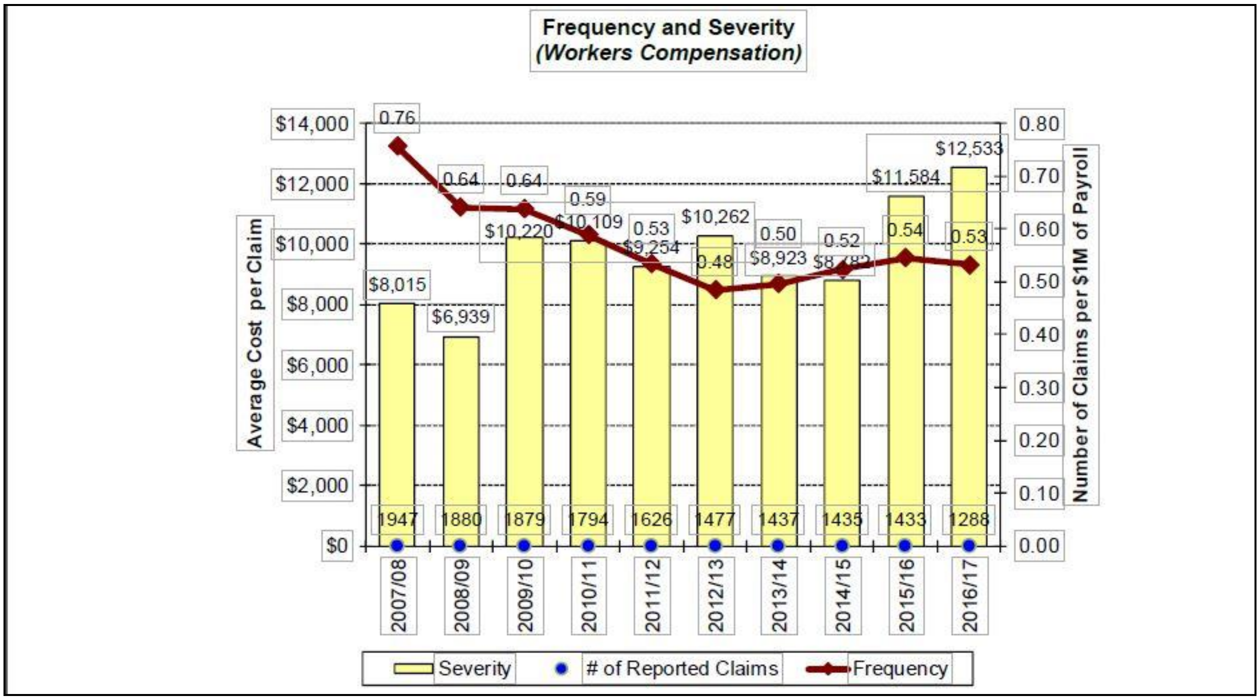


Workers Compensation Bureau

The Workers' Compensation Bureau (WCB) fulfills RMD's statutory obligation to administer the workers' compensation retention fund and effect prompt, fair, payment of workers' compensation claims brought by state employees and employees of covered educational entities in accordance with the Workers' Compensation Act, *see* NMSA 1978 §§ 51-1-1 *et seq*., 15-7-6, and 52-1-3. WCB provides thorough and efficient claims administration of workers' compensation claims. WCB contracts with outside case managers, investigators, and attorneys to meet the Workers' Compensation Act's statutory obligations, while also protecting the solvency of the workers' compensation retention fund. The State is obligated to pay for all reasonable and necessary medical care arising from occupational injuries and provides an early return to work program for injured workers that helps minimize expenses, while enabling workers to regain a sense of normalcy.

Disputed claims are initially litigated through the Workers Compensation Administration's administrative process. Per statute, attorneys fees for both sides are presently capped at $22,500, but a presently pending appellate case could exponentially increase the fee exposure if the courts rule that the statutory fee cap can expand beyond one injury/occurrence. That change would increase current fee exposure and potentially incentivize attorneys to dispute more claims on behalf of injured workers.

Even though the State's workforce has contracted in recent years, the incidence of claims has stayed relatively flat and the severity (overall cost) of those claims has increased. Rising prescription drug prices and increased medical costs are the main drivers of the severity in workers' compensation claims over the past several years. Concerns about the dangers of opioid use are changing the cost landscape for treatment of chronic pain. Opioids are inexpensive, but addictive. Alternative prescriptions have not yet reached wide acceptance in the market place and are still very expensive – presently costing to five times as much as generic opioids.



Property and Causality Bureau

The Property and Casualty (PAC) Bureau effects the Risk Management Division's statutory obligation to manage claims filed against the State of New Mexico and its insured entities, *see* NMSA 1978, § 15-7-2. The PAC Bureau investigates and either resolves or defends tort claims and civil rights actions against the state's insured agencies and public employees. The Public Liability Fund covers specific claims and suits against agencies, including defense costs and indemnity payments resulting from tort and civil rights litigation.

Following national and state trends, the number of liability claims against insured entities rose in Fiscal Year 2017 while the severity of these claims remained relatively steady. Property related claims also increased in frequency over the past year but the severity of these cases has declined.

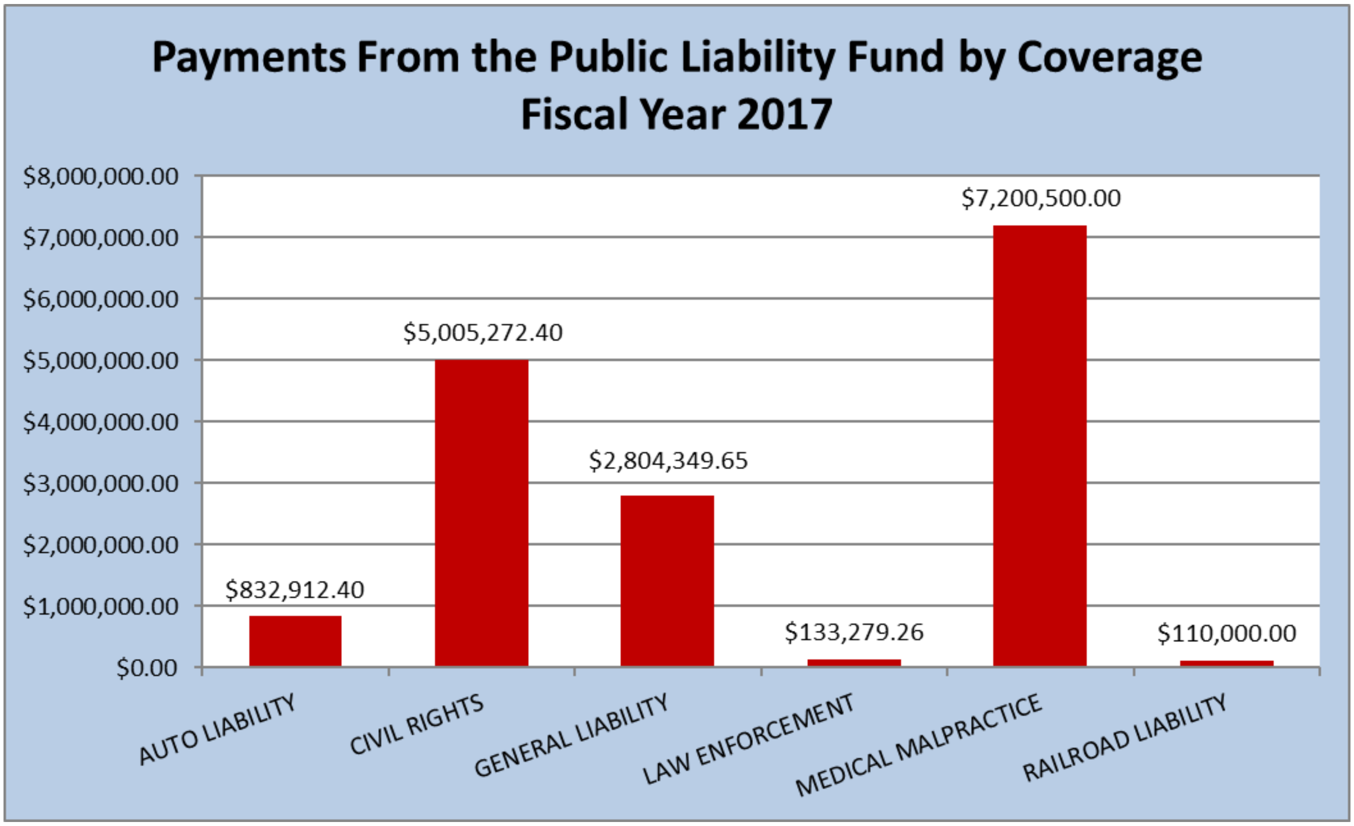
In Fiscal Year 2017, payments from the Public Liability Fund totaled $16,086,313.71. This represents a 43% decrease in payments from Fiscal Year 2016. The following chart shows the Public Liability Fund payment trend from Fiscal Year 2012 through Fiscal Year 2017.

Economical and efficient control systems for legal expenditures are a key indicator for effective risk management. When disputed liability claims have to be litigated in State or Federal Court, RMD utilizes the services of approximately fifty contracted defense firms with attorneys in multiple locations throughout the State. In Fiscal Year 2015, the Risk Management Division collaborated with the General Services Department's Technical Services and Support Bureau in the development and testing of an application that allows contracted law firms to electronically submit monthly fee invoices and regularly submit verified third party invoices for direct payment of associated legal expenses (e.g. expert fees and deposition transcripts). All of the contracted law firms were utilizing the online application for submission of fee and expense invoices during the past year. The system allows firms to check the status of invoice review and payment. The system appears to have stabilized defense cost exposures and improved the ability of both management and contractors to track adherence to billing guidelines.

Defense Fee Cost Trend	**FY12 $11,940,273.74** **FY13 $10,437,774.32** **FY14 $10,651,323.36** **FY15 $10,132,627.09** **FY16 $10,175,921.85** **FY17 $10,222,307.96**

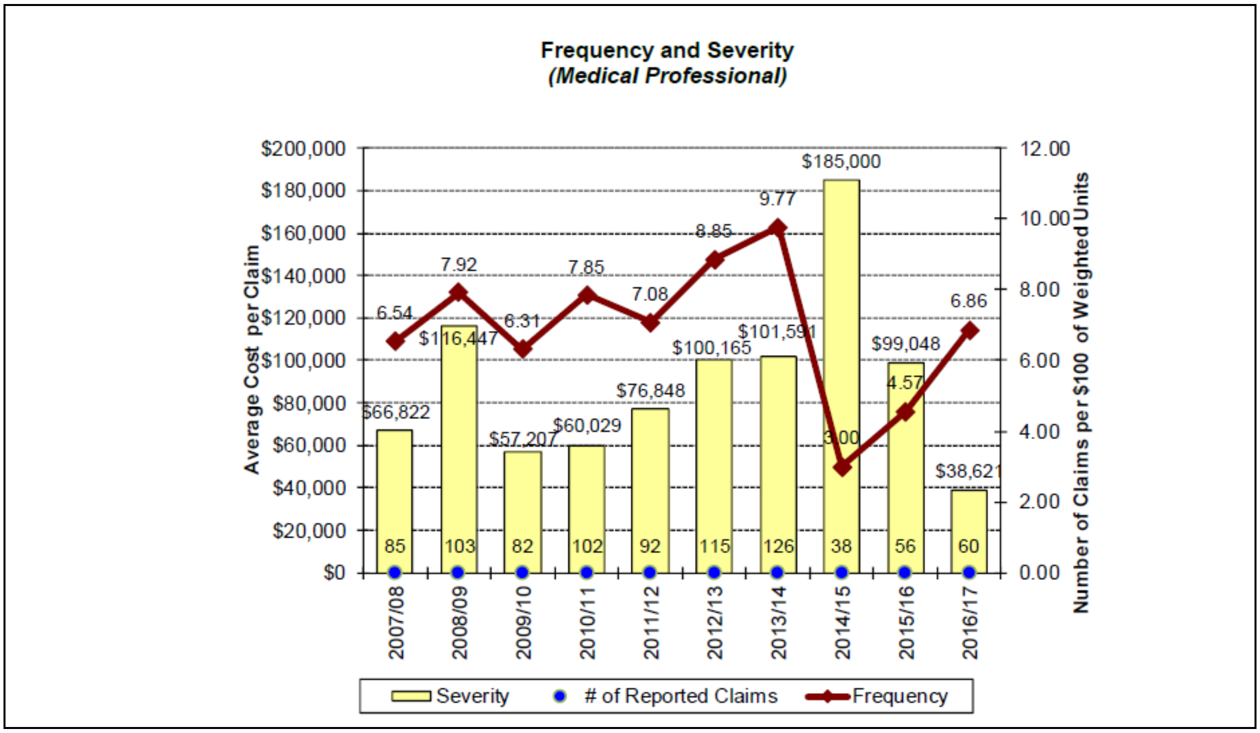
As in previous years, the main three areas of exposure in Fiscal Year 2017 were Medical Malpractice, Civil Rights, and General Liability. There was a slight increase in civil rights claims in Fiscal Year 2017, likely due to an increased awareness of civil rights issues and an environment that encourages reporting as opposed to an actual increase in incidents. That trend is expected to continue in FY'18 given the impact of the #MeToo movement. RMD expects that additional claims will require both increased costs for investigation and defense and increased indemnity payments (higher settlements and judgments).

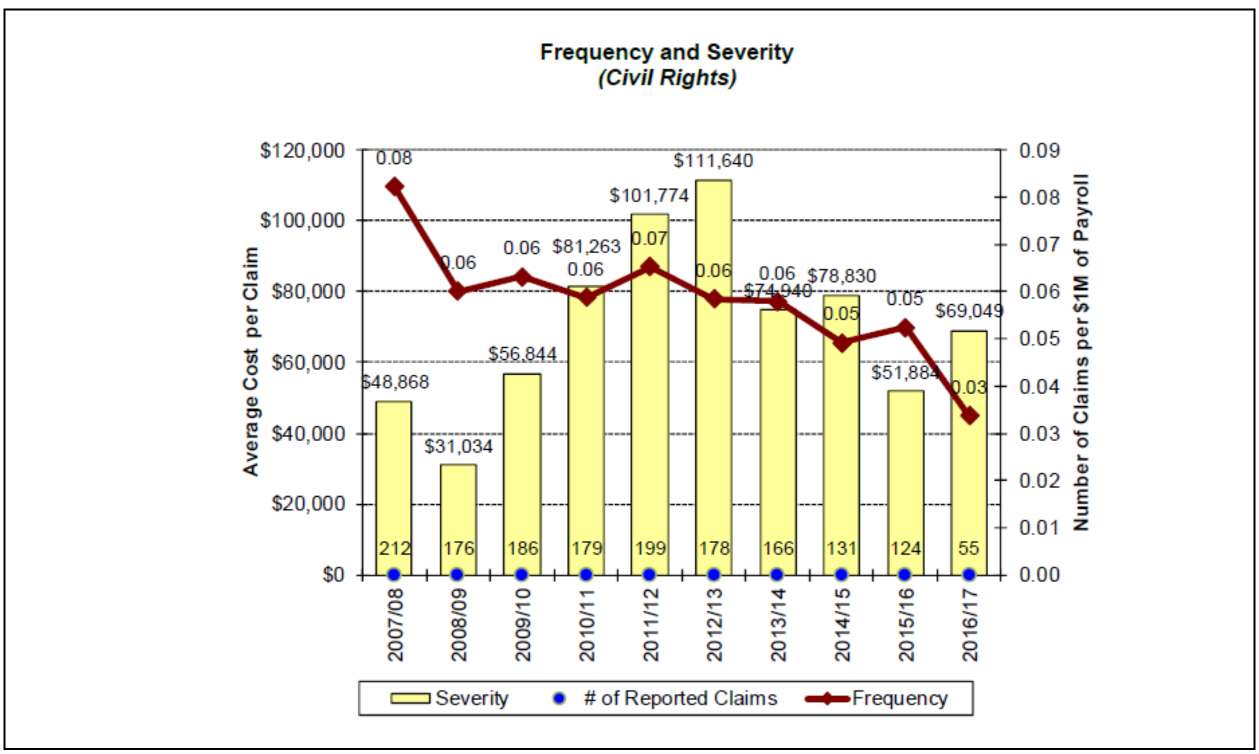
The chart on the next page shows total indemnity payments by line of coverage and the amounts paid.

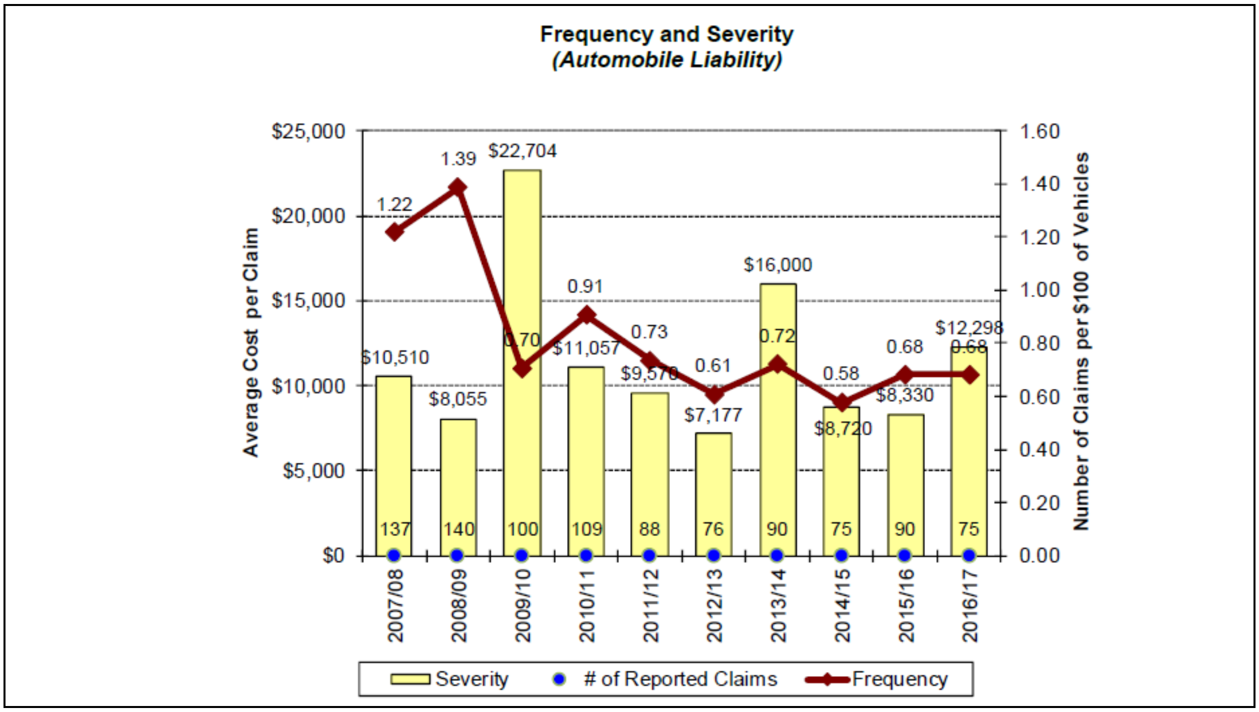


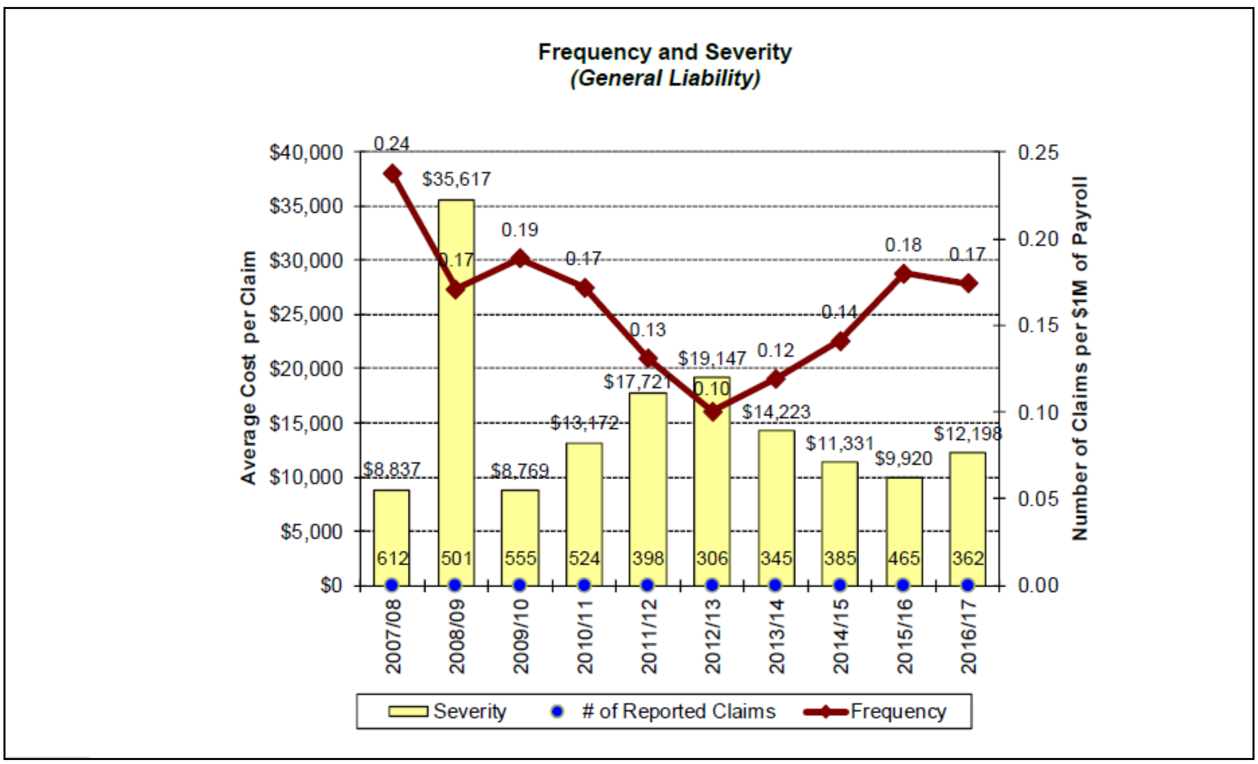
The following graphs represent statistics for the individual areas of liability:

- Medical Malpractice
- Civil Rights
- Auto Liability
- General Liability
- Law Enforcement


Frequency and Severity
(Medical Professional)
Average Cost per Claim
Number of Claims per $100 of Weighted Units
Severity
# of Reported Claims
Frequency


Frequency and Severity
(Civil Rights)
Average Cost per Claim
Number of Claims per $1M of Payroll
Severity
# of Reported Claims
Frequency


Frequency and Severity
(Automobile Liability)
Average Cost per Claim
Number of Claims per $100 of Vehicles
$25,000
$20,000
$15,000
$10,000
$5,000
$0
1.60
1.40
1.20
1.00
0.80
0.60
0.40
0.20
0.00
1.22
1.39
$22,704
0.91
$16,000
$12,298
$10,510
0.70
$11,057
0.73
0.72
0.68
0.68
$9,570
0.61
0.58
$8,330
$8,055
$7,177
$8,720
137
140
100
109
88
76
90
75
90
75
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
Severity
# of Reported Claims
Frequency


Frequency and Severity
(General Liability)
Average Cost per Claim
Number of Claims per $1M of Payroll
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
0.25
0.20
0.15
0.10
0.05
0.00
0.24
$35,617
0.19
0.18
0.17
0.17
0.17
0.14
0.13
$19,147
0.12
$17,721
0.10
$14,223
$13,172
$12,198
$11,331
$9,920
$8,837
$8,769
612
501
555
524
398
306
345
385
465
362
2007/08
2008/09
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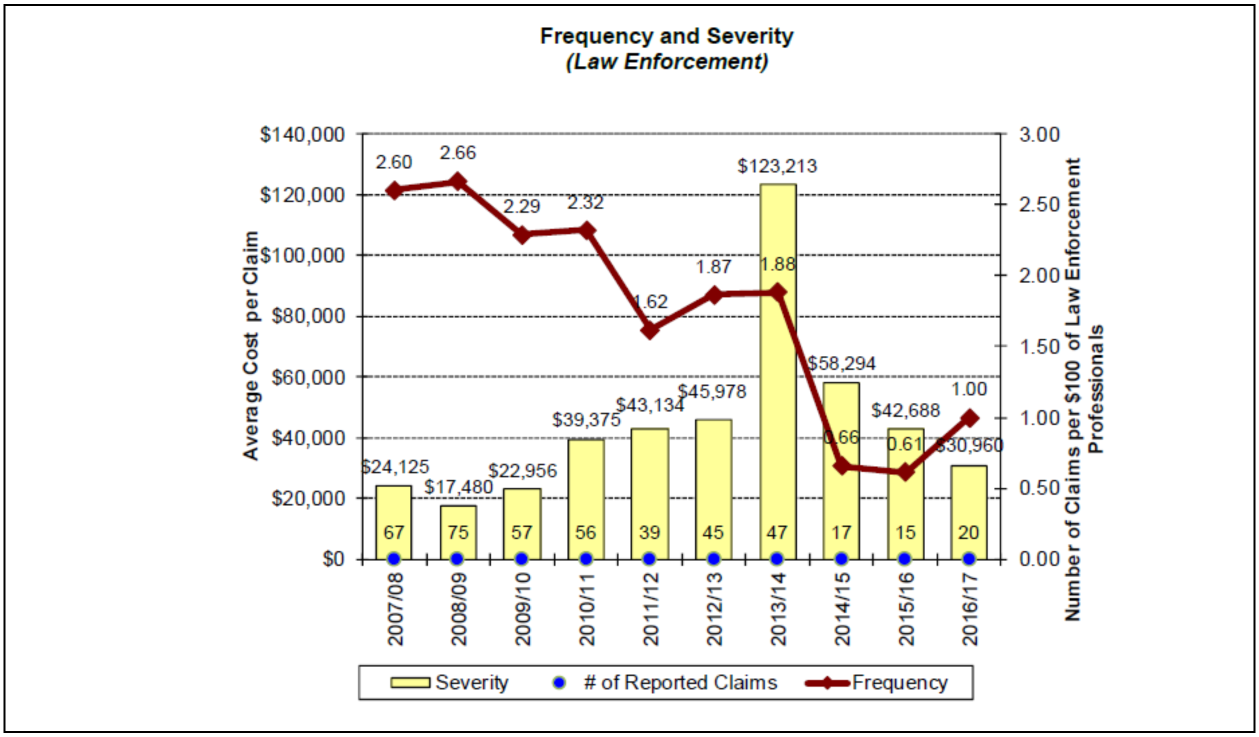
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
Severity
# of Reported Claims
Frequency

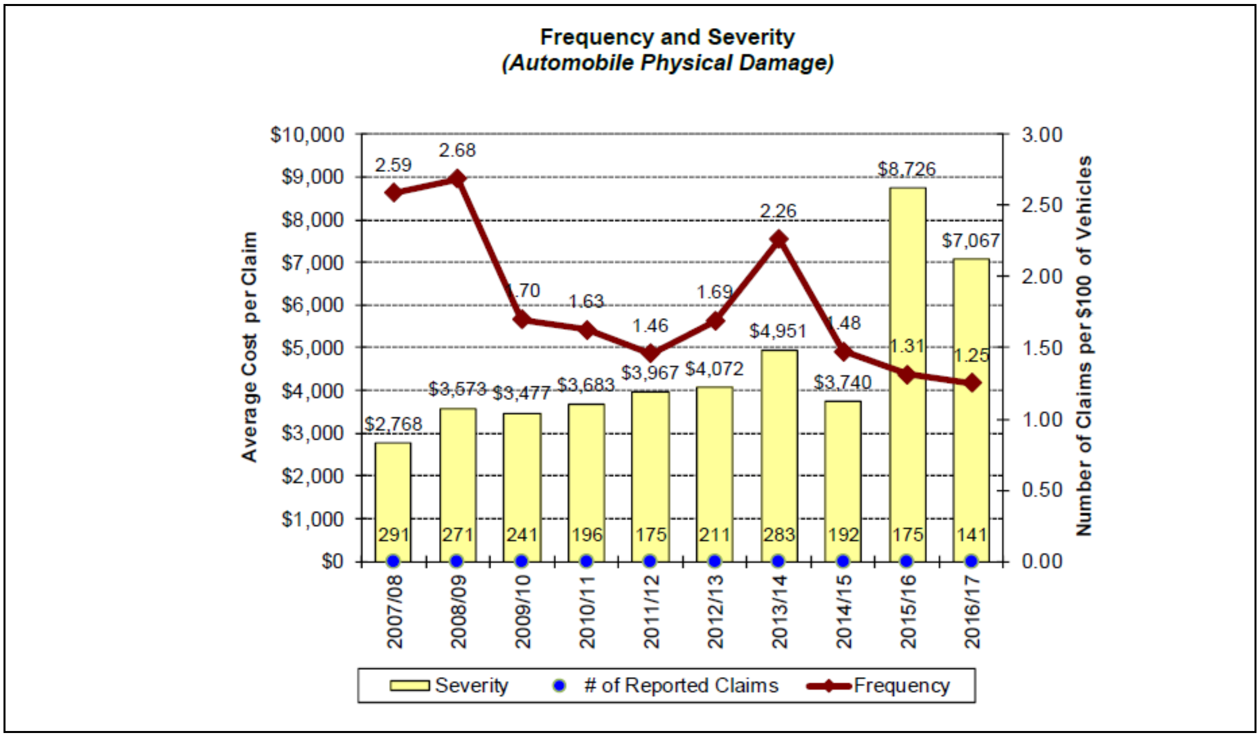


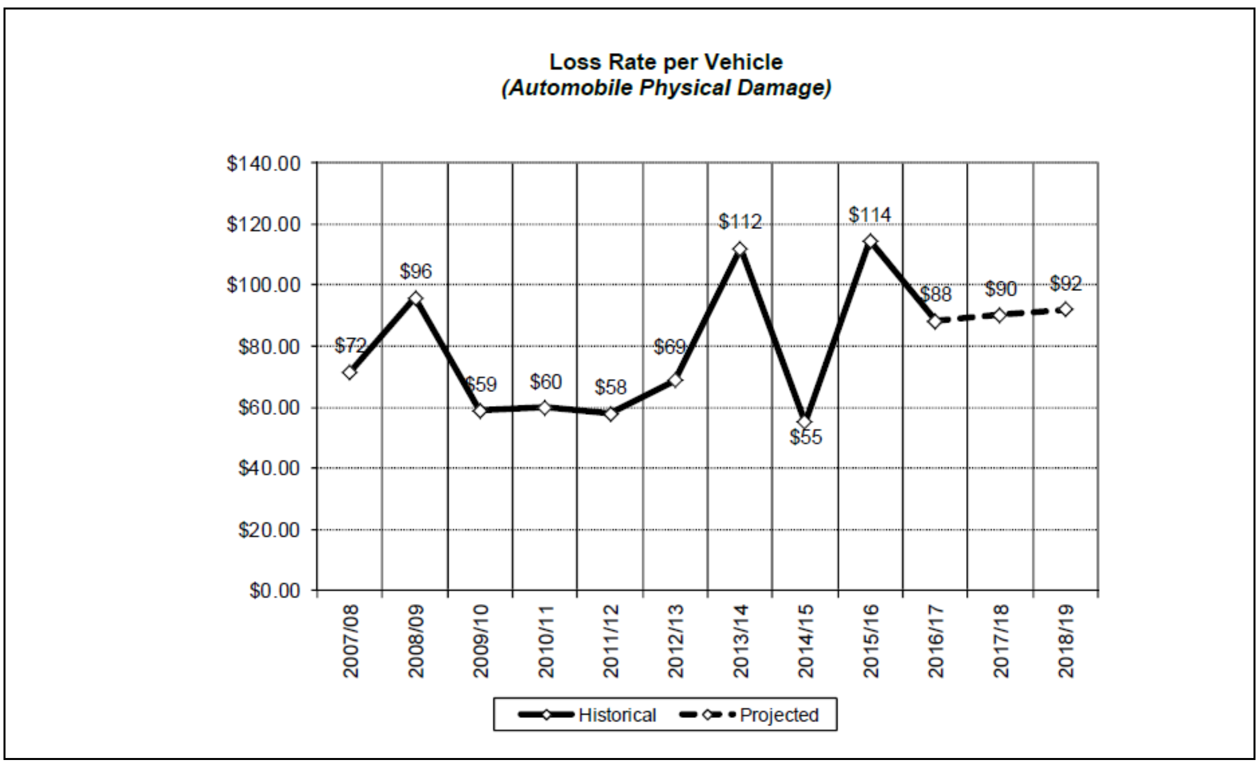
Along with liability payments, the PAC Bureau is also responsible for administering claims against the Public Property Reserve Fund, which protects "public buildings of state agencies against loss or damage by fire, windstorm, hail, smoke, explosion, riot or civil commotion" as required by § 13-5-1. Section 13-1-5(B) requires that RMD cover certain claims for agency losses of personal property.

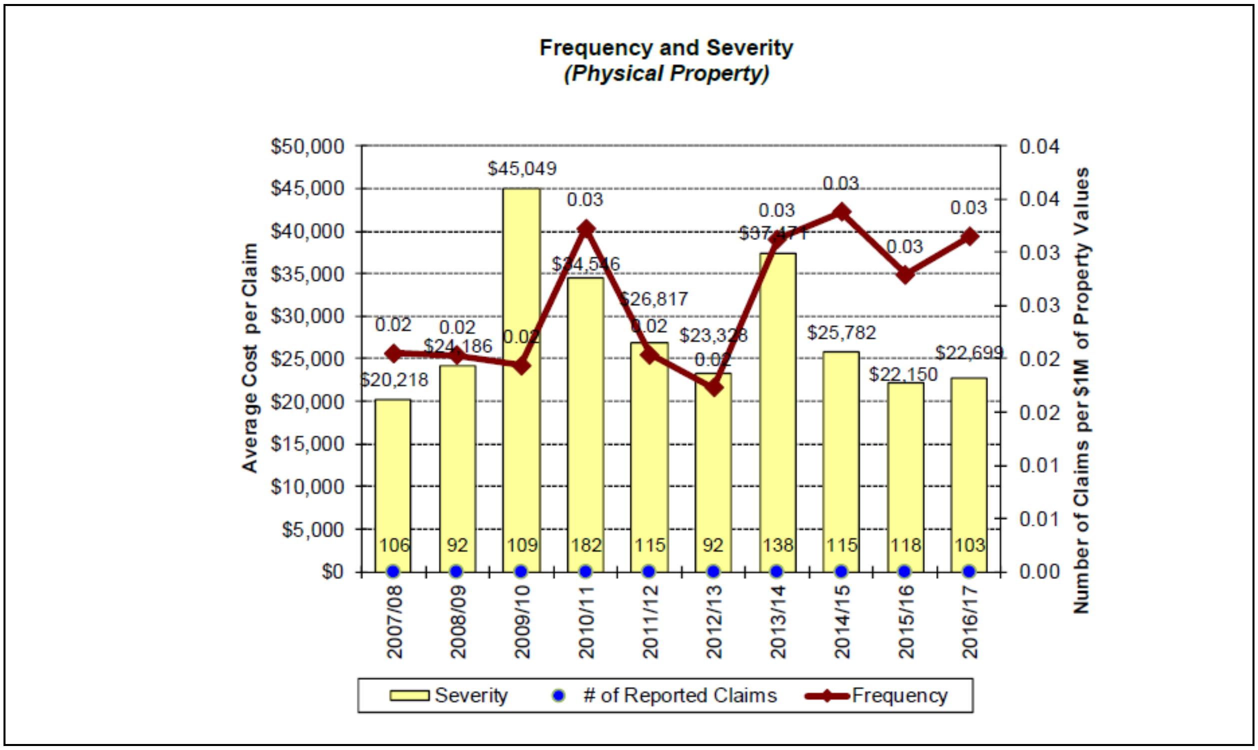
Frequency and severity of property claims are favorable when compared to private sector standards and long-term actuarial projections show claims flattening in the future.

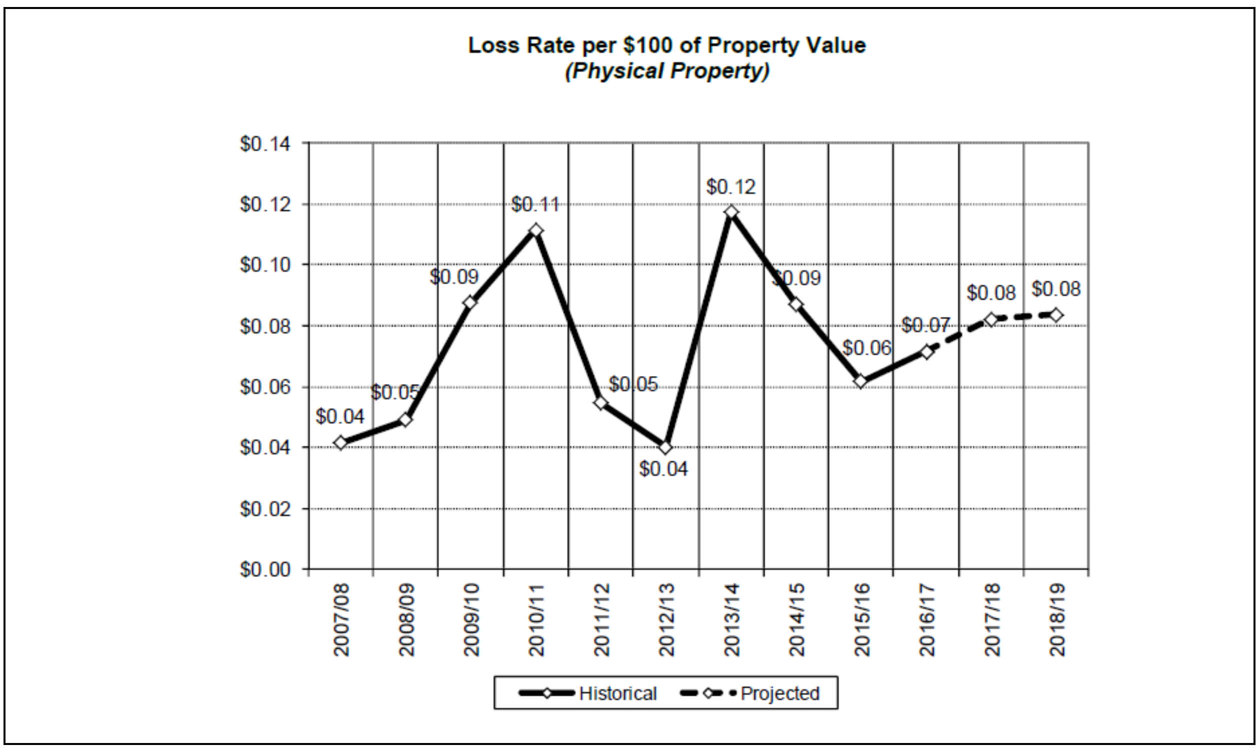
The following graphs represent statistics for individual areas of property:

- Auto Physical
- Physical Property


Frequency and Severity
(Automobile Physical Damage)
Average Cost per Claim
Number of Claims per $100 of Vehicles
$10,000
$9,000
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
$1,000
$0
3.00
2.50
2.00
1.50
1.00
0.50
0.00
2.59
2.68
1.70
1.63
1.46
1.69
2.26
1.48
1.31
1.25
$2,768
$3,573
$3,477
$3,683
$3,967
$4,072
$4,951
$3,740
$8,726
$7,067
291
271
241
196
175
211
283
192
175
141
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
Severity
# of Reported Claims
Frequency


Loss Rate per Vehicle
(Automobile Physical Damage)
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
$72
$96
$59
$60
$58
$69
$112
$55
$114
$88
$90
$92
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
Historical
Projected


Frequency and Severity
(Physical Property)
Average Cost per Claim
Number of Claims per $1M of Property Values
$20,218
$24,186
$45,049
$34,546
$26,817
$23,328
$37,471
$25,782
$22,150
$22,699
106
92
109
182
115
92
138
115
118
103
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
Severity
# of Reported Claims
Frequency


Loss Rate per $100 of Property Value
(Physical Property)
$0.04
$0.05
$0.09
$0.11
$0.05
$0.04
$0.12
$0.09
$0.06
$0.07
$0.08
$0.08
2007/08
2008/09
2009/10
2010/11
2011/12
2012/13
2013/14
2014/15
2015/16
2016/17
2017/18
2018/19
Historical
Projected

Public Property Insured Value

In FY 2015, RMD secured a statewide appraisal across the inventory of all public buildings insured by the Division, in satisfaction of NMSA 1978 § 13-5-1(D) and to obtain an estimated total replacement value of the buildings, and total insured value of the buildings. The 3,736 page report is available for inspection at RMD by appointment. The updated appraisal data will assist RMD in the goal of achieving fund solvency by improving the precision of premium rates and continuing to secure reinsurance at advantageous rates.

The appraisal details information on each of the 4,676 distinct buildings throughout the State. The total estimated replacement cost for all the buildings in the inventory is just below $8.5 billion. The appraisal for each building includes: the exact location; whether the building is categorized as a *historic* building; the year built; total square footage; estimated contents value; a summary of fire protection systems; and information about whether the building's electrical system has been updated. Summary spreadsheets attached to the report list the estimated costs to replace each building and its contents and the replacement cost, less exclusions. The report breaks down and summarizes the number of buildings per agency and the number of public buildings per county. Arrangements to review the public building inventory appraisal summary can be made by contacting the Director.

For underwriting purposes, the state included a 3% inflationary adjustment to the appraisal from Fiscal Year 2015. RMD will revisit building valuation in the next fiscal year.

Statutory Claim Payment Disclosure

Each year, RMD discloses indemnity payments over $1,000.00 issued from the Public Liability Fund in its Annual Report per NMSA §15-7-3 (C). Since this report is a public document, RMD must comply with the confidentiality provisions of NMSA § 15-7-9 when disclosing claims payment data. The Legislature wisely shielded payment data for a fixed period to protect the state from unscrupulous persons who might use the data to fabricate false claims. This statute protects fund solvency while still allowing for transparently reporting use of taxpayer dollars.

Under NMSA §15-7-9, information about a claim may be released 180 days after a particular date. RMD adds 180 days to each of possibility and uses the latest date to measure disclosure:

1) The date all statutes of limitation have run on a claim;
2) The date all litigation has completed;
3) The date of settlement; OR
4) The date a claim is closed.

In compiling this disclosure, RMD completed a thorough database search of all claims paid in Fiscal Year 2017. After filtering out payments of less than $1,000.00, claims that were closed within the last 180 days, that it after June 15, 2017, were filtered out in accordance with NMSA §§ 15-7-9(A)(2)(c) and 15-7-9(A)(2)(d). To satisfy NMSA § 15-7-9(A)(2)(a), RMD calculated the statute of limitations for all claims in the list and filtered out those claims that have not expired under the statute of limitations. Finally, the list was reviewed to ensure that no matters remain in litigation. The following table represents payments that RMD may disclose as of December 15, 2017.

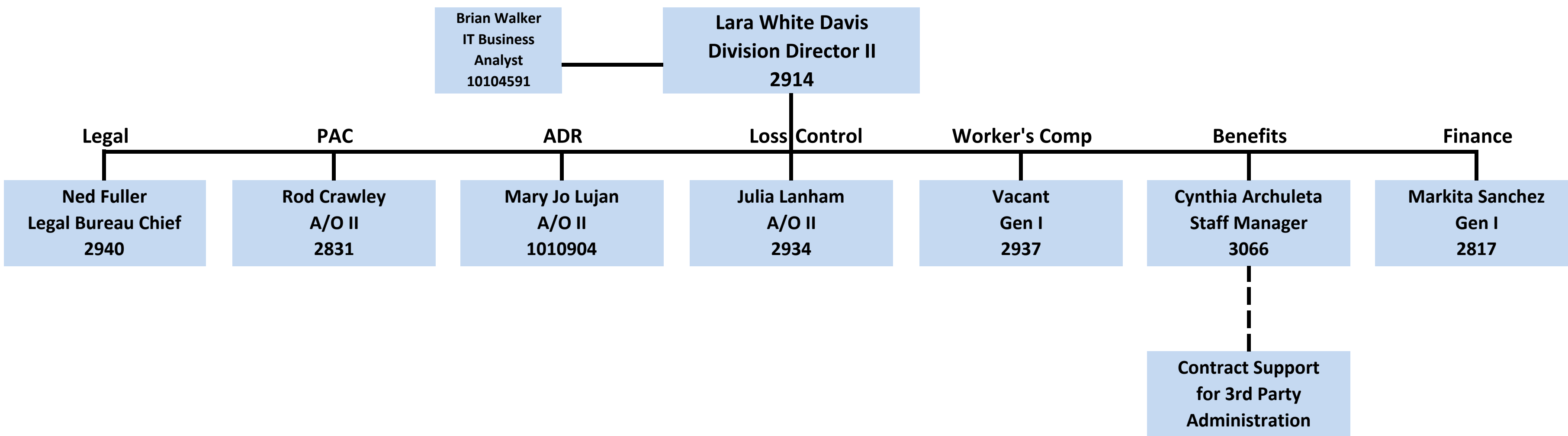
List of Payments

Claim Number	Payee	Amount
0800565-000	SAMUEL P. CHAVEZ	$135,000.00
0801016-000	LAW OFFICE OF PHILLIP B. DAVIS	$235,000.00
0901444-000	ROBERT S SIMON	$10,000.00
0901444-000	ROBERT S SIMON TRUST ACCOUNT F/B/O	$325,000.00
0901469-001	RACHEL HIGGINS, PR OF MARYJANE PAIZ-PIEDRA and	$75,000.00
1100439-000	TERESA KEAR & MICKAEL DOYLE, her attorney	$16,000.00
1100439-000	MARK BOWMAN & MICHAEL DOYLE, his attorney	$46,000.00
1100591-000	GARCIA IVES NOWARA	$85,000.00
1200419-000	YOUTZ & VALDEZ PC TRUST ACCOUNT	$120,000.00
1200689-000	RICHARD & SOLEDAD CANDELARIA and	$325,000.00
1200984-000	STEPHEN F. LAWLESS & THOMAS ROBLEZ	$20,000.00
1201148-000	LESTER SAM, individually and	$5,000.00
1201148-000	KARLA SAM AND HER COUNSEL BARBER	$25,001.00
1201148-000	LESTER SAM as PR of the ESTATE OF DONNA SAM	$80,000.00
1201267-000	LAW OFFICE OF DAVID M HOULISTON	$15,500.00
1201276-000	PEGGY LYNN MILLER obo JOSEPH C. PERRY	$1,000.00
1300494-000	AFFORDABLE LAW F/B/O DENISE LOPEZ	$29,854.84
1300697-000	LORI ANN GONZALES & ANTONIA ROYBAL-MACK, her attorney	$25,000.00

Claim Number	Payee	Amount
1301255-000	EDDY DURAN AND PLOTSKY & DOUGHERTY PC	$350,000.00
1400282-000	KENNEDY KENNEDY & IVES LLC	$5,000.00
1400325-000	JARED M BARLIANT, ATTORNEY FOR	$155,000.00
1400485-000	EGOLF FERLIC & HARWOOD, LLC	$150,000.00
1400512-000	AMBER ESPINOZA-TRUJILLO and EGOLF	$102,726.00
1400575-000	CATHERINE OSBORN & L.K. CURTIS , PA	$300,000.00
1400582-000	COHEN & ZEDALIS LLP	$150,000.00
1400615-000	ROSE ANDREWS & COLLINS & COLLINS, P.C.	$110,000.00
1400948-000	GREGORY W CHASE PC TRUST ACCOUNT	$225,000.00
1401274-000	BRANDY SANCHEZ	$71,853.00
1401274-000	BRETT DUKE P.C.	$79,197.00
1401348-000	LAW OFFICE OF RICHARD A SANDOVAL LLC,THE	$15,000.00
1401390-000	DEVON JAMON, PR and GUEBERT BRUCKNER, PC	$450,000.00
1401429-000	COBERLY & MARTINEZ LLLP	$125,000.00
1401467-000	THE LAW OFFICE OF LISA A. ELIZONDO, PLLC	$31,094.14
1401467-000	VERONICA GARDEA	$31,905.86
1401474-000	CHARLES MURPHY, II AND E. JUSTIN PENNING	$12,700.00
1401474-000	CHARLES MURPHY, II and E. JUSTIN PENNINGTON, his attorney	$20,700.00
1401475-000	HOPE ECKERT, Attorney at Law, LLC	$42,500.00

Claim Number	Payee	Amount
1401480-000	CELIA DURAN and THE LAW OFFICE OF	$150,000.00
1500389-000	NEW MEXICO MUTUAL	$3,482.15
1500389-000	ANDRES BARRERA GUERRERO	$4,500.00
1500533-000	TIBO J CHAVEZ JR	$200,000.00
1500631-003	FABER & BRAND, LLC	$17,500.00
1500738-000	DURAN, VICTORIA R.	$1,255.45
1500811-000	ELIZABETH GOMEZ & SANCHEZ & PINON, LLC, her attorney	$53,000.00
1500993-000	ARTHUR BAILEY, P.C. TRUST ACCOUNT	$8,464.81
1501055-000	RENA MARLOWE, IND/PR and	$325,000.00
1501090-000	THE MORRIS LAW FIRM, LLC	$13,000.00
1501093-000	TOUCHET LAW FIRM, PC	$450,000.00
1501112-000	K & J VENTURES LLC	$1,591.20

Appendix 1: RMD Organizational Chart



SOURCES AND USES
Projected Ending Cash Balance FY17 Q4
(in thousands)

PUBLIC LIABILITY
FUND: 357

	Actual FY2016 End Cash Bal:	Actual FY2017 [1] Beg Cash Bal:	Projected FY2018 Beg Cash Bal:			
	$36,291.1	**$51,225.0**	**$49,280.8**			
SOURCES	**TOTAL Actual FY2016**	**TOTAL Actual FY2017**	**TOTAL PROJ FY2018**			
Revenues						
Insurance Assessments[2]	$51,020.9 [2]	$46,209.5 [2]	$40,138.7			
Interest	$101.5	$261.3	$50.0			
Misc.	$188.1	$654.3	$100.0			
AR	($92.3)	$100.0	$100.0			
Total Revenues	$51,218.2	$47,225.1	$40,288.7			
USES	**TOTAL Actual FY2016**	**TOTAL Actual FY2017**	**TOTAL PROJ FY2018**	FY17 BUDGET	FY17 ACTUAL	BALANCE
Category						
400 Prior Year A/P	$359.8	$660.5	$700.0	$0.0	$660.5	($660.5)
400 Prior Year	$64.2	$34.6	$150.0	$0.0	$34.6	($34.6)
Total	$424.0	$695.1	$850.0			
300	$12,517.7 [3]	$11,614.0 [3]	$14,251.5	$14,144.7	$11,614.0	$2,530.7
400	$21,208.1 [4]	$17,653.7 [4]	$31,672.0	$28,690.4	$17,653.7	$11,036.7
500	$2,134.4	$1,706.5	$1,983.8	$1,706.5	$1,706.5	$0.0
SB2 SS & SB113 RS Sweeps	$0.0	$17,500.0 [6]	$0.0			
Total	$35,860.2	$48,474.2	$47,907.3	$44,541.6	$31,669.3	$12,872.3
Total Expenditures	$36,284.2	$49,169.3	$48,757.3			
Adj (AP)		$0.0	$0.0			
	End Cash Bal: $ 51,225.0	**End Cash Bal: $ 49,280.8**	**End Cash Bal: $ 40,812.2**			

Projected fund health: PUBLIC LIABILITY

Fund Indicator Y

Projected YREND Fund Ratios

FY16	FY17	FY18	Item
$51,225.0	$49,280.8	$40,812.2	Projected Assets
$101,285.6	$94,188.1	$98,900.2	Outstanding Liabilities[5]
51%	52%	41%	Projected Fund Health

NOTES

1. Per SHARE GL Detail by Fund report dated 7-12-2017.

2. FY16 BILLING	$49,116.8	104% =	$51,020.9
FY17 BILLING	$48,931.3	94% =	$46,209.5
FY18 BILLING	$40,138.7	100% =	$40,138.7

3. 300 category expenditure for professional services, primarily for Legal, Investigator, Excess Insurance and System Maintenance expenses
4. AON RPT Projected Losses Paid TABLE III-4 Column (2), Column (2) FY16= Actuals, FY17 = $42,453.8, FY18 = $31,672.0 - Assumes "worst case" scenario
5. FY16, FY17 and FY18 per AON RPRT, GL-12/13, LE-12/13, CR-12/13, AL-12/13, MP-12/13, Column 9;
   FY16= $101,285.6k actuarial calculation of outstanding liabilities.
   FY17 = $94,188.3k actuarial calculation of outstanding liabilities
   FY18 = $98,900.3k actuarial calculation of outstanding liabilities
6. Laws of 2017, Chapter 2, SB113(I); Laws of 2016, Chapter 4, SB2(9)

SOURCES AND USES
Projected Ending Cash Balance (FY17 Q4)
(in thousands)

PUBLIC PROPERTY
FUND: 356

	Actual FY2016 Beg Cash Bal:		Actual FY2017[1] End Cash Bal:		Projected FY2018 End Cash Bal:	
	$7,891.4		**$10,537.5**		**$14,336.2**	
SOURCES	**TOTAL Actual FY2016**		**TOTAL Proj FY2017**		**TOTAL PROJ FY2018**	
Revenues						
Insurance Assessments	$13,116.4		$11,052.6	2	$9,933.2	
Interest	$20.2		$58.2		$10.0	
Misc.	$0.0		$530.4		$550.0	
AR	$0.6		$0.0		$0.5	
Total Revenues	**$13,137.2**		**$11,641.2**		**$10,493.2**	
USES	**TOTAL Actual FY2016**		**TOTAL Actual FY2017**		**TOTAL PROJ FY2018**	
Category						
Other uses	$ 2.55					
PY Vouchers Payable	$788.6		($6.3)		$20.0	
300	$4,719.0		$3,701.9	3	$5,369.9	
400	$4,905.4		$2,443.7		$5,575.6	4
400 Prior Year	$75.5		$3.9		$5.0	
6 SS & SB113 RS Sweep	$0.0		$1,699.3	6	$0.0	
Total Expenditures	**$10,491.1**		**$7,842.5**		**$10,970.5**	
Adj. ASD 16 EOY	$0.0		$0.0		$0.0	
	End Cash Bal: $10,537.5		**End Cash Bal: $14,336.2**		**End Cash Bal: $13,858.9**	

	BUDGET	ACTUAL	BALANCE
PY Vouchers Payable	$0	($6.3)	$6.3
300	$4,369.9	$3,701.9	$668.0
400	$6,900.1	$2,443.7	$4,456.4
400 Prior Year		$3.9	($3.9)
Total Expenditures	$11,270.0	$6,143.2	$5,126.8

Projected fund health: PUBLIC PROPERTY
Fund Indicator: Y

Projected YREND Fund Ratios			
FY16	FY17	FY18	Item
$10,537.5	$14,336.2	$13,858.9	Projected Assets
$2,670.4	$2,409.5	$2,585.9	Outstanding Liabilities[5]
395%	595%	536%	Projected Fund Health

NOTES

1. Per SHARE GL Detail by Fund report dated 7-12-17.

FY16 BILLING	$10,366.7	Collection Rate	127% =	$13,116.4
FY17 BILLING	$10,916.0	Collection Rate	101% =	$11,052.6
FY18 BILLING	$9,933.2	Collection Rate	100% =	$9,933.2

3. 300 category expenditure for professional services, primarily for Excess Insurance and System Maintenance expenses

4. AON TABLE III-4, p 10 FY16= Actual; FY17 = 4,889.7; FY18 = $5,575.6 - Assumes "worst case" scenario
5. FY16 , FY17 and FY18 per AON RPRT, PD-12, PD 13, OP12, OP-13, Column 9;
   FY16 = $2,670.4k actuarial calculation of outstanding liabilities.
   FY17= $2,409.5k actuarial calculation of outstanding liabilities.
   FY18 = $2,585.9k actuarial calculation of outstanding liabilities
6. Laws of 2016, Special Session Chapter 4, SB2(8); Laws of 2017, Chapter 2, SB113(K)

SOURCES AND USES
Projected Ending Cash Balance (FY17 Q4)
(in thousands)

WORKERS COMPENSATION
FUND: 359

	Actual FY2016 Beg Cash Bal:	Actual FY2017[1] End Cash Bal:		Projected FY2018 End Cash Bal:
	$18,970.6	**$22,971.3**		**$22,799.8**
SOURCES	**TOTAL Actual FY2016**	**TOTAL Proj FY2017**		**TOTAL PROJ FY2018**
Revenues				
Insurance Assessments	$22,913.6	$20,501.4	2	$17,979.2
Interest	$50.0	$120.0		$50.0
Misc.	$272.1	$207.8		$200.0
Accounts Receivable	$1.4	$0.0		$0.0
Total Revenues	**$23,237.2**	**$20,829.2**		**$18,229.2**
USES	**TOTAL Actual FY2016**	**TOTAL Actual FY2017**		**TOTAL PROJ FY2018**
Category				
Prior Year AP	($391.7)	448.3		400.0
400 Prior Year Payment	$61.7	54.6		40.0
Contracts Payable	($4.2)	$0.0		$0.0
Total Prior Year	($334.2)	502.9		440.0
300 [2]	$ 1,123.2	$816.3	3	$2,235.4
400 [3]	$ 16,141.7	$15,099.1	4	$15,415.1
500	$ 2,134.4	$1,582.4		$1,706.5
SB2 SS Sweep		$3,000.0	6	
Total Current Year	$19,399.3	$20,497.8		$19,357.0
Total Expenditures	**$19,065.1**	**21,000.7**		**19,797.0**
Other Liabilities	$0.0			
	End Cash Bal:	**End Cash Bal:**		**End Cash Bal:**
	$23,142.7	**$22,799.8**		**$21,232.0**

	BUDGET FY17	ACTUAL FY17	REQUIRED BAR
Prior Year AP		448.3	($448.3)
400 Prior Year Payment		54.6	($54.6)
300	$2,235.4	$816.3	$1,419.1
400	$16,700.5	$15,099.1	$1,601.4
500	$1,582.4	$1,582.4	$0.0
Total Current Year	$20,518.3	$18,000.7	$2,517.6

Projected fund health: Workers' Compensation
Fund Indicator: Y

Projected YREND Fund Ratios			
FY16	FY17	FY18	Item
$23,142.7	$22,799.8	$21,232.0	Projected Assets
$56,263.2	$56,197.5	$57,756.4	Outstanding Liabilities [5]
41%	41%	37%	Projected Fund Health

NOTES

1. Per SHARE GL Detail by Fund report dated 7-12-17

2.	FY16 BILLING	$22,833.8	Collection Rate	100.3% =	$22,913.60
	FY17 BILLING	$22,740.2	Collection Rate	90% =	$20,501.43
	FY18 BILLING	$17,979.2	Collection Rate	100% =	$17,979.20

3. 300 category expenditure for professional services, primarily for Legal, Investigator, Excess Insurance and System Maintenance expenses
4. AON TABLE III-4, p 9 Columns (2) and (3) FY16=Actuals, FY17=$15,159.5, FY18=$15,415.1- Assumes "worst case" scenario
5. FY16, FY17 and FY18 per AON RPRT Exhibit WC-12 and WC-13 Column 9
   FY17 = $56,197.5k actuarial calculation of outstanding liabilities
   FY18 = $57,756.4k actuarial calculation of outstanding liabilities
6. Laws of 2016, Chapter 4, SB2 sweep for $3,000,000