NEW MEXICO MEDICAL INSURANCE POOL

FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

Moss Adams LLP
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Albuquerque, New Mexico
(505) 878-7200
# Table of Contents

**NEW MEXICO MEDICAL INSURANCE POOL**

**INDEPENDENT AUDITORS' REPORT** .......................................................... 1

**BASIC FINANCIAL STATEMENTS**

- Balance Sheets .................................................................................. 3
- Statements of Revenues, Expenses and Changes in Net Assets .......... 4
- Statements of Cash Flows .................................................................... 5
- Notes to Financial Statements ............................................................. 6

**SUPPLEMENTAL INFORMATION**

- Schedule of Expenditures of Federal Awards .................................... 12
- 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* ........................................... 13
- Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 ................. 15
- Summary Schedule of Prior Audit Findings ....................................... 18
- Schedule of Findings and Questioned Costs ....................................... 19
Independent Auditors' Report

Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, New Mexico

We have audited the accompanying basic financial statements of the New Mexico Medical Insurance Pool (Pool), as of and for the years ended December 31, 2009 and 2008, as listed in the table on contents. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pool as of December 31, 2009 and 2008, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2010, on our consideration of the Pool'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
Board of Directors
New Mexico Medical Insurance Pool
Albuquerque, NM

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

The Pool has not presented management's discussion and analysis and ten year claims development information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Pool. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mess Adams LLP

Albuquerque, New Mexico
June 3, 2010
BASIC FINANCIAL STATEMENTS
NEW MEXICO MEDICAL INSURANCE POOL
BALANCE SHEETS
December 31, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$18,418,371</td>
<td>16,684,088</td>
</tr>
<tr>
<td>Assessments receivable</td>
<td>3,501,844</td>
<td>2,628,204</td>
</tr>
<tr>
<td>Receivable from administrator</td>
<td>2,096,823</td>
<td>1,614,848</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$24,017,038</strong></td>
<td><strong>20,927,140</strong></td>
</tr>
</tbody>
</table>

|                         |            |            |
| LIABILITIES AND NET ASSETS |          |            |
| Estimated claims incurred but not reported | $11,661,000 | 7,110,000 |
| Accrued claims            | 9,911,526  | 11,201,519 |
| Accrued claims processing costs | 908,000    | 671,000    |
| Unearned premiums         | 672,627    | 588,450    |
| Payable to administrator  | 266,834    | 230,283    |
| Accounts payable          | 74,896     | 52,654     |
| Assessment refunds        | -          | 551,079    |
| **Total liabilities**     | **23,494,883** | **20,404,985** |

Commitments

Net assets

|                         |            |            |
| Total liabilities and net assets |          |            |
| $24,017,038             | $20,927,140|            |

See Notes to Financial Statements.
NEW MEXICO MEDICAL INSURANCE POOL
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years Ended December 31, 2009 and 2008

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premiums</td>
<td>$19,566,284</td>
<td>15,687,401</td>
</tr>
<tr>
<td>Assessments</td>
<td>69,346,921</td>
<td>49,018,813</td>
</tr>
<tr>
<td>Senior pharmacy assessment</td>
<td>3,062,904</td>
<td>29,887</td>
</tr>
<tr>
<td>Initial assessments</td>
<td>4,500</td>
<td>10,000</td>
</tr>
<tr>
<td>Grant income</td>
<td>1,440,929</td>
<td>950,000</td>
</tr>
<tr>
<td>Interest income</td>
<td>74,979</td>
<td>268,757</td>
</tr>
<tr>
<td>Other income</td>
<td>1,965</td>
<td>4,045</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td><strong>93,498,482</strong></td>
<td><strong>65,968,903</strong></td>
</tr>
</tbody>
</table>

| Operating expenses   |            |            |
| Claims               | 89,077,166 | 62,538,484 |
| Claims processing costs | 3,593,748 | 2,618,301 |
| General and administrative | 827,568   | 812,118   |
| **Total operating expenses** | **93,498,482** | **65,968,903** |

| Operating (loss) income |            |            |
| Net assets at beginning of year | 522,155 | 522,155 |
| Net assets at end of year | $522,155 | 522,155 |

*See Notes to Financial Statements.*
NEW MEXICO MEDICAL INSURANCE POOL  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2009 and 2008

<table>
<thead>
<tr>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows From Operating Activities</td>
<td>Cash Flows From Operating Activities</td>
</tr>
<tr>
<td>Receipts from policyholders and insurers</td>
<td>$90,160,057</td>
</tr>
<tr>
<td>Proceeds from grants</td>
<td>1,440,929</td>
</tr>
<tr>
<td>Payments for claims and claims processing costs</td>
<td>(89,172,907)</td>
</tr>
<tr>
<td>Payments to providers and suppliers</td>
<td>(768,775)</td>
</tr>
<tr>
<td>Interest received</td>
<td>74,979</td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>1,734,283</strong></td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>1,734,283</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>16,684,088</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td><strong>$18,418,371</strong></td>
</tr>
<tr>
<td>Reconciliation of changes in net assets</td>
<td>to net cash provided by operating activities</td>
</tr>
<tr>
<td>Change in net assets</td>
<td></td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets</td>
<td>to net cash provided by operating activities</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Assessments receivable</td>
<td>(873,640)</td>
</tr>
<tr>
<td>Receivables from administrator</td>
<td>(481,975)</td>
</tr>
<tr>
<td>Assessment refunds</td>
<td>(551,079)</td>
</tr>
<tr>
<td>Estimated claims incurred but not reported</td>
<td>3,261,007</td>
</tr>
<tr>
<td>Accrued claims processing costs</td>
<td>237,000</td>
</tr>
<tr>
<td>Unearned premiums</td>
<td>84,177</td>
</tr>
<tr>
<td>Payable to administrator</td>
<td>36,551</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>22,242</td>
</tr>
<tr>
<td><strong>Total adjustments</strong></td>
<td><strong>1,734,283</strong></td>
</tr>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td><strong>$1,734,283</strong></td>
</tr>
</tbody>
</table>

See Notes to Financial Statements.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations. The New Mexico Medical Insurance Pool (Pool) was formed as an unincorporated not-for-profit entity by the New Mexico Legislature in 1987. The purpose of the Pool is to provide comprehensive health insurance coverage to eligible individuals.

The funding for the Pool, in addition to premiums received from policyholders, is provided by assessments against "insurers" that includes insurance companies authorized to transact health insurance in New Mexico, not-for-profit health care plans, health maintenance organizations. All insurers are required to be members of the Pool and must pay an initial assessment of $500.

Subsequent to each fiscal year, the Board determines the need to levy an assessment and, if necessary, the assessment is made against insurers using a pro rata allocation based on health insurance written in the State of New Mexico during the previous calendar year. The Board may also make interim billings as may be reasonable and necessary for the organizational or interim operating expenses of the Pool. The Pool records assessment revenue at the time the Pool determines a premium deficiency is reasonably estimable, which is generally at the end of each fiscal year, and to the extent the Pool has an enforceable legal claim to the assessments and the collectibility of the assessments is probable and reasonably estimable.

If assessments for a fiscal year exceed actual losses and administrative expenses of the Pool for that fiscal year, the excess assessments are refunded, and recorded as accrued assessment refunds for that fiscal year. Any deficit incurred by the Pool shall be recouped by assessments apportioned among the members as described above. Deficiency assessment revenues in the financial statements are shown net of assessment reversals, if any.

The Pool is administered by Blue Cross and Blue Shield of New Mexico (BCBSNM).

Basis of Presentation. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In accordance with GAAP, the Pool follows all Government Accounting Standards Board (GASB) statements as well as all Financial Accounting Standards Board (FASB) statements issued on or before November 30, 1989, unless those FASB statements contradict GASB statements. The Pool has also elected to not apply FASB statements issued subsequent to November 30, 1989.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Under GASB requirements, the Pool is presented as an enterprise fund. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. As a state-qualified public risk pool, the principal operating revenues of the Pool are premiums from policyholders, assessments against insurers in the State of New Mexico, and grant proceeds that subsidize the operation of the Pool.

Operating expenses for enterprise funds include the cost of sales and services and administrative expenses. All expenses of the Pool are considered operating expenses.

Cash and Cash Equivalents. Cash and cash equivalents consist of cash and a repurchase agreement held with a single financial institution. The Pool is exposed to custodial credit risk in the event its deposits are not fully insured or collateralized, or are collateralized by securities held by the financial institution. At December 31, 2009, the Pool’s cash account was fully insured by the Federal Deposit Insurance Corporation (FDIC). In August 2009, the FDIC extended its temporary Transaction Account Guarantee Program through June 30, 2010. This program provides unlimited coverage for all non-interest bearing accounts. The Pool’s cash account is non-interest bearing, therefore, is 100% insured at December 31, 2009. The Pool’s repurchase agreement is 100% collateralized by securities held by the financial institution, which subjects the Pool to custodial credit risk in the event of failure of the financial institution. The amount of such exposure is the balance of the repurchase agreement of $18,069,522 at December 31, 2009. Management monitors the financial condition of this financial institution and does not believe any significant credit risk exists at this time. The Pool has no deposit policy limiting the custodial credit risk of its deposits.

The Pool considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents for the purposes of the statement of cash flows.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Accounts Receivable and Allowance for Doubtful Accounts. The Pool levies assessments against health insurers registered in the State of New Mexico on an annual basis. Interim billings are invoiced as necessary to provide sufficient revenue to continue Pool operation throughout the year. The invoiced amounts are due within 30 days. No allowance is provided for doubtful accounts receivable as management considers all accounts to be collectible based on past experience. Although not expected, in the event management determines an account uncollectible, the balance would be written off to bad debts expense.

Receivable from and Payable to Administrator. The administrator of the Pool, BCBSNM, initially pays for all claims and claims processing costs, and is reimbursed by the Pool. The administrator also bills and receives all premiums on behalf of the Pool, which are then passed onto the Pool. In exchange for all the administration services provided by the administrator, the Pool pays an administration fee on a per member per month basis at a rate of $39.00 and $36.75 for 2009 and 2008, respectively. In addition to the administrative fees above, the Pool pays for disease management services on a per member per month basis at a rate of $2.20 beginning in 2009. All such amounts are settled between the Pool and the administrator on a monthly basis. The receivable from administrator is considered fully collectible and accordingly, does not include a provision for bad debts.

Estimated Claims Incurred but not Reported. This liability represents benefits due policyholders and providers for services provided but not yet recorded or paid. The Pool’s actuarial estimate of this liability considers historical experience and subjective judgments, and is based on the development method. Management reviews the actuarial assumptions used in determining the liability. The amount ultimately paid may be more or less than such estimates. Accounting estimates are subject to change and the effects of such changes are recognized in the period in which they can be reasonably estimated.

Net Assets. Net assets of the Pool were $522,155 as of December 31, 2009 and 2008. The amount represents the historical excess of the Pool’s premium and assessment revenues over its costs. The Pool accrues assessments revenue or refunds (contra-revenue) at the end of each calendar year based on the Pool’s income or loss prior to those final assessments, and accordingly, there was no operating income or loss reported in 2009 or 2008. The net assets of $522,155 is an amount that has been maintained in the Pool for several years. Management and the board of directors routinely review the appropriateness of the amount of net assets and believes such amount is appropriate as of December 31, 2009 and 2008.
NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

*Earned and Unearned Premium Revenue.* Premium revenue is recognized as revenue in the month premiums are earned. Policyholders pay premiums monthly over their contract period, which is determined by the effective date of their policy. Policyholders who do not remit their premiums within 30 days of the monthly due date are eliminated from the plan. Delinquent premium payments are recognized as revenue upon collection and are not accrued.

*Grant Revenue.* Grant revenue is considered voluntary non-exchange revenue under governmental accounting standards. Accordingly, revenues are recorded when all underlying eligibility requirements have been met, which occurs when the Pool has incurred an allowable expenditure under the terms of the grant agreement.

*Income and Premium Taxes.* In management’s opinion the Pool provides an essential governmental function to its members as described in Section 115 of the Internal Revenue Code and, accordingly, the Pool is exempt from such taxes. No provision for such taxes is included in the accompanying financial statements. The Pool is also exempt from State of New Mexico taxes.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

*Subsequent Events.* Subsequent events are events or transactions that occur after the balance sheet date but before financial statements are available to be issued. The Pool recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Pool’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before financial statements are available to be issued.

The Pool has evaluated subsequent events through June 3, 2010, which is the date the financial statements were available to be issued.
NEW MEXICO MEDICAL INSURANCE POOL  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2009 and 2008

NOTE 2. RELATED PARTY TRANSACTIONS WITH BCBSNM

Included in claims and claims processing costs in the accompanying statements of revenues, expenses and changes in net assets are $3,356,748 and $2,455,302 in expenses associated with administration services provided by BCBSNM, including claims processing, premium billing and collection, and related matters for the years ended December 31, 2009 and 2008, respectively.

For its proportionate share of assessments, BCBSNM paid the Pool $7,503,078 and $5,371,765 in 2009 and 2008, respectively.

NOTE 3. LINE-OF-CREDIT

The Pool has a $2,000,000 line-of-credit from the Bank of Albuquerque, expiring September 28, 2010. Interest, payable monthly, is variable at the bank’s prime rate (3.25% at December 31, 2009). The line is secured by general accounts, assessments and premium receivables. There were no balances outstanding as of December 31, 2009 and 2008, respectively.

NOTE 4. LIABILITY FOR CLAIMS AND CLAIM ADJUSTMENT EXPENSES

The liability for claims and claim processing costs includes an amount determined from claims reports and an amount for claims incurred but not reported. Estimates of the liability for amounts incurred but not reported as of December 31, 2009 and 2008 have been based on an actuarial evaluation of the Pool’s historical claims experience, industry data, and other factors. Estimated claims processing costs are accrued when the related liability for unpaid claims is accrued, and represents the costs of paying the administrator to process all remaining claims, which is estimated at 3 months of typical administrative charges. While management believes that these estimates are adequate, actual incurred but unpaid claims and claim processing costs may vary significantly from the amount provided.
NOTE 4. LIABILITY FOR CLAIMS AND CLAIM ADJUSTMENT EXPENSES
(CONTINUED)

Changes in reserves for claims and claims processing costs were as follows for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liability for claims and claims processing costs, beginning of year</td>
<td>$18,982,519</td>
<td>9,502,020</td>
</tr>
<tr>
<td>Incurred claims and claims processing costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior years claims</td>
<td>(689,084)</td>
<td>(1,159,330)</td>
</tr>
<tr>
<td>Current year claims</td>
<td>93,359,998</td>
<td>66,316,115</td>
</tr>
<tr>
<td></td>
<td>92,670,914</td>
<td>65,156,785</td>
</tr>
<tr>
<td>Claims paid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prior years claims</td>
<td>7,124,338</td>
<td>4,582,761</td>
</tr>
<tr>
<td>Current year claims</td>
<td>82,048,569</td>
<td>51,093,525</td>
</tr>
<tr>
<td></td>
<td>89,172,907</td>
<td>55,676,286</td>
</tr>
<tr>
<td>Liability for claims and claims processing costs, end of year</td>
<td>$22,480,526</td>
<td>18,982,519</td>
</tr>
</tbody>
</table>

Incurred claims and claim adjustment expenses for the years ended December 31, 2009 and 2008 includes $689,084 and $1,159,330, respectively, in favorable development on prior years’ claims.
SUPPLEMENTAL INFORMATION
<table>
<thead>
<tr>
<th>Department of Health and Human Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants to States for Operation of Qualified High-Risk Pools</td>
</tr>
</tbody>
</table>

Note:
The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.
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

Board of Directors
New Mexico Medical
   Insurance Pool
Albuquerque, New Mexico

We have audited the basic financial statements of the New Mexico Medical Insurance Pool (Pool) as of and for the year ended December 31, 2009 and have issued our report thereon dated June 3, 2010. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements would not be prevented or detected and corrected on a timely basis.
Board of Directors  
New Mexico Medical Insurance Pool  
Albuquerque, New Mexico

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pool's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

This report is intended solely for the information and use of management, the Board of Directors, and the Superintendent of Insurance at the New Mexico Public Regulation Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mess Adams LLP

Albuquerque, New Mexico  
June 3, 2010
Report On Compliance
With Requirements Applicable to Each
Major Program and on Internal Control Over
Compliance in Accordance With
OMB Circular A-133

Board of Directors
New Mexico Medical
    Insurance Pool
Albuquerque, New Mexico

Compliance

We have audited the compliance of New Mexico Medical Insurance Pool (Pool) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2009. The Pool’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Pool’s management. Our responsibility is to express an opinion on the Pool’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Pool’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Pool’s compliance with those requirements.

In our opinion, the Pool complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009.
Internal Control Over Compliance

The management of the Pool is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Pool’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Pool’s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.
Board of Directors
New Mexico Medical
Insurance Pool
Albuquerque, New Mexico

This report is intended solely for the information and use of management, the Board of Directors, the Superintendent of Insurance at the New Mexico Public Regulation Commission, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Moss Adams LLP

Albuquerque, New Mexico
June 3, 2010
NEW MEXICO MEDICAL INSURANCE POOL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2009

08-01 Segregation of Duties - Resolved
A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued

Internal control over financial reporting:

- Material weakness(es) identified?
  
  - Yes
  
  - No

- Significant deficiency(s) identified that are not considered to be material weakness (es)?
  
  - Yes
  
  - None Reported

Non-compliance material to financial statements noted?

Federal Awards

Internal control over major programs:

- Material weakness (es) identified?
  
  - Yes
  
  - No

- Significant deficiency(s) identified that are not considered to be material weakness (es)
  
  - Yes
  
  - None Reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

- Yes
  
  - No

Identification of Major Program

CFDA Number  Name of Federal Program or Cluster

93.780  Grants to States for Operation of Qualified High-Risk Pools

Dollar threshold used to distinguish between type A and type B programs

$ 300,000

Auditee qualified as low-risk auditee?

- Yes
  
  - No
NEW MEXICO MEDICAL INSURANCE POOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended December 31, 2009

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD

None